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Dominion-Provincial Conference







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# DOMINION-PROVINCIAL CONFERENCE

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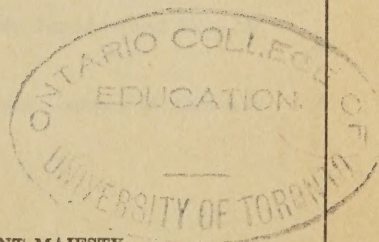
TUESDAY, JANUARY 14  
1941

AND

WEDNESDAY, JANUARY 15  
1941

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OTTAWA  
EDMOND CLOUTIER  
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY  
1941





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## COPY OF LETTER SENT BY THE PRIME MINISTER TO THE PROVINCIAL PREMIERS

OTTAWA, November 2, 1940.

MY DEAR PREMIER,—As you are aware, the Report of the Royal Commission on Dominion-Provincial Relations was presented to the government of Canada on May the 16th, 1940. Although it was not possible to study this Report immediately upon its receipt, my colleagues and I have availed ourselves of the opportunity afforded by the adjournment of Parliament on August the 7th, to give to its recommendations the most careful consideration.

The Report commends itself strongly to our judgment. We believe that no time should be lost in arranging for a conference with the Provinces, in order to secure, if possible, the adoption of the Commission's recommendations.

You will recall the circumstances which, in 1937, led to the creation of the Rowell-Sirois Commission. It was appointed because of general dissatisfaction in respect of Dominion-Provincial relations and arrangements—a dissatisfaction which reached a critical stage during the depression. The inability of local and provincial governments to deal with mass unemployment and agricultural distress, and the resulting financial difficulties and controversy in regard to policy and administrative responsibility, constituted admitted evils and a serious strain on national unity. The necessity, under existing constitutional authority, of maintaining local responsibility for relief, precluded the development of policies on a national scale, and produced a situation which seriously affected the morale of the unemployed and destroyed the financial independence of many local governments. In the emergency the Dominion made large contributions for relief purposes but could not assume full or permanent responsibility for unemployment, nor can it do so, unless measures such as those contemplated by the Commission are agreed upon.

The war has intensified the problem and emphasized the urgency of its solution. While the cost of unemployment relief has been reduced, the war has cast additional burdens on governments and taxpayers alike. It has inevitably increased the competition between governments to secure revenues, and has aggravated the overlapping, cumbersome and discriminatory character of much of our tax structure. Sometimes the competitive effort to secure revenues has resulted in struggles between the Dominion and the Provinces; sometimes, in conflicts between the provinces themselves. If this situation continues, the war effort itself will inevitably be hampered. I know that you share the view that the goal of Canada's war effort can be nothing less than the most effective organization of all our resources and a real equality of sacrifice. Under present conditions, this goal is unattainable. So long as they continue, we will not be able to put forth our maximum productive effort to win the war, nor distribute its cost justly and fairly.

We must think first of winning the war, but we cannot afford to neglect the future. To those who experienced the acute dislocation following the last war and the prolonged depression of the '30's, the point needs no labouring. We are not now in a position to provide for the more thoroughgoing social, economic and financial adjustments which will be necessary after this war. I think you will agree that the Canadian people, and particularly those who will bear the brunt of the burden resulting from the inadequacy of present constitutional arrangements, will not calmly accept this situation.



It was the Commission's task to determine how Canada's unique federal structure, as set up in 1867, could be made to function smoothly, and yet retain the distinctiveness of its component parts. The government's instructions in this regard were explicit. In my statement to the House, on February 16th, 1937, referring to the appointment of the Commission, I said that the Commission was to make recommendations, "to enable all governments to function more effectively—and, I may add, more independently—within the spheres of their respective jurisdictions". The Commission not only carried out these instructions, but emphasized throughout its Report that its recommendations would lead to a real and desirable provincial autonomy, by assuring true financial independence.

It is the view of the government that adoption of the Commission's recommendations is necessary to put our country in a position to pursue a policy which will achieve the maximum war effort and, at the same time, to lay a sound foundation for post-war reconstruction. For these reasons, we should like to avail ourselves of the earliest opportunity to place our views before the Provinces, and to discuss with them the recommendations of the Commission. We propose, therefore, after Parliament reassembles, if circumstances permit, to seek an adjournment over the month of January, and to make the necessary arrangements at that time for a conference between the Dominion and the Provinces for the consideration of the recommendations of the Rowell-Sirois Commission. We trust that it will be possible for you and your colleagues to make similar arrangements to enable you to attend a conference at some mutually convenient date towards the middle of that month.

Yours sincerely,

W. L. MACKENZIE KING.

P.S.—It is the government's intention to have this communication tabled in both Houses of Parliament, on Thursday, November 7th, immediately after the Opening proceedings. I would ask that, meanwhile, the communication itself be regard as confidential.



**Copy of letters sent by the Premiers of the nine Provinces of Canada in  
reply to the Prime Minister of Canada, respecting a Conference to  
be held during the month of January to consider the  
matter of adopting the recommendations of  
the Report of the Royal Commission  
on Dominion-Provincial  
Relations**

THE PREMIER

HALIFAX

November 7, 1940.

MY DEAR PRIME MINISTER,—Replying to your letter of the 2nd inst. with reference to the Report of the Royal Commission on Dominion-Provincial Relations, I note carefully all that you say.

My colleagues and myself are now making a study of the Report and we will be in a position, whenever the conference is called, to present the matter from our point of view.

I do not think there will be very much difficulty as far as we are concerned.

Yours very truly,

A. S. MACMILLAN.

The Rt. Hon. W. L. MACKENZIE KING, P.C.,  
Prime Minister of Canada,  
Ottawa, Canada.

THE PREMIER

The Government of the  
Province of New Brunswick

FREDERICTON

November 7th, 1940.

Rt. Honourable W. L. MACKENZIE KING,  
Prime Minister of Canada,  
Ottawa, Canada.

MY DEAR PRIME MINISTER,—I must apologize for the delay in answering your letter of the 2nd instant advising me of the intention of your Government to seek a conference with the Provinces during the month of January, to consider the matter of adopting the recommendations of the Royal Commission on Dominion-Provincial Relations.

As our Government was about to meet, I felt it desirable to delay answering until your suggestion had been considered by my colleagues. I should add, however, that I had no doubt as to what their decision would be.

I desire to assure you that we shall welcome the opportunity to take part in the proposed conference, and will keep our engagements in line so that we may be able to attend any time during the month of January.

We share the view of your Government that the present is an opportune time to proceed to a full study of the Commission's recommendations with a view to possible action thereon.

Yours sincerely,

JOHN B. McNAIR.



PREMIER'S OFFICE

PRINCE EDWARD ISLAND

CHARLOTTETOWN,

PRINCE EDWARD ISLAND,

November 4th, 1940.

Right Honourable W. L. MACKENZIE KING,  
Prime Minister of Canada,  
Ottawa, Canada.

DEAR MR. KING,—I wish to acknowledge your letter of November 2nd.

I entirely agree with you as to the desirability of early consideration of the recommendations made in the Report of the Royal Commission.

While some of the problems dealt with are not so urgent in this Province as in some of the other Provinces, and while possibly the recommendations may not benefit the Island so effectively as some of the other Provinces, we feel that the adoption of the Report would confer substantial benefits on us, and we are only too willing to discuss and consider the whole matter from the wider point of view of benefit to all the Provinces.

We shall be very glad to arrange to attend the conference which you propose calling for the purpose, towards the middle of January.

With kindest personal regards, I remain

Yours sincerely,

(Signed) THANE A. CAMPBELL,  
*Premier of Prince Edward Island.*

OFFICE OF THE PRIME MINISTER

PROVINCE OF QUEBEC

QUEBEC, November 8th, 1940.

The Right Honourable W. L. MACKENZIE KING, K.C., P.C.,  
Prime Minister of Canada,  
Ottawa, Ont.

DEAR MR. KING,—I have the honour to acknowledge the receipt of your letter of the 2nd instant, in which you suggest that a conference be arranged between the representatives of the Federal and the Provincial Governments, in order to secure, if possible, the adoption of the recommendations submitted by the Royal Commission on Dominion-Provincial Relations.

I shall be pleased to be present at this conference and to express the views of my Province on the above mentioned subject.

I would be grateful to you if you could let me know the approximate date at which this Conference will be held, as we have to set a date for the opening of our Session.

I beg you to believe me always, Dear Mr. King,

Yours very truly,

ADELARD GODBOUT.



ONTARIO

OFFICE OF

THE PRIME MINISTER AND PRESIDENT OF THE COUNCIL

TORONTO, November 8th, 1940.

DEAR MR. PRIME MINISTER,—I have your letter of November 2nd, regarding the Sirois Commission Report.

I was hopeful that a discussion of this problem could be delayed until after the war so that there could be no possibility of any controversial issue arising which might impair national unity and the effective prosecution of the war.

However, in view of the fact that a conference is to be called it is the intention of this government to make available for its representatives any time that may be required after the middle of January, as suggested by you.

Yours very truly,

M. F. HEPBURN.

Right Honourable W. L. MACKENZIE KING, P.C.,  
Prime Minister of Canada,  
Ottawa, Ontario.

OFFICE OF THE PREMIER

WINNIPEG

November 7th, 1940.

The Right Honourable W. L. MACKENZIE KING, P.C.,  
Prime Minister of Canada,  
Ottawa, Canada.

MY DEAR PRIME MINISTER,—May I say how intensely gratifying to my colleagues and myself was the decision announced in your letter of November 2, 1940.

We are in complete concurrence with that decision, and we can assure you that you will have the utmost co-operation from the Government of Manitoba and the people of this Province at the conference which you propose to call in January next and in any further steps which you may see fit to take to implement the Rowell-Sirois Report.

May I be permitted to offer my congratulations. I am sure it will be gratifying to our people to learn that the recommendations in the report are to receive early consideration at a Dominion-Provincial Conference and I am sure also that they will hope for the early implementation of the report at a time when that implementation is so critically needed.

Yours very truly,

JOHN BRACKEN.



PREMIER'S OFFICE

SASKATCHEWAN

REGINA, November 6, 1940.

The Right Honourable W. L. MACKENZIE KING,  
Prime Minister,  
Ottawa, Ont.

DEAR MR. KING,—I beg to acknowledge your letter of the 2nd and may assure you that I am very greatly pleased to learn that your Government intends to take early action with respect to the report of the Royal Commission on Dominion-Provincial Relations.

Usually our Provincial Legislature opens in January but there is no particular reason why the coming session should not be delayed and we will be very glad to arrange to be represented at a conference if one is held during the month of January, 1941.

Yours sincerely,

W. J. PATTERSON.

OFFICE OF THE PREMIER

ALBERTA

EDMONTON, November 6th, 1940.

DEAR SIR,—Your letter of November 2nd reached me yesterday and I have noted its contents very carefully.

We shall try to arrange our work in such a way that we shall be able to spend a week or ten days in Ottawa about the middle of January as suggested by you. Of course our session of the Legislature will take place the last week of January or the first in February so I trust there will be no postponement of this meeting.

Yours truly,

WILLIAM ABERHART,

*Premier.*

The Rt. Hon. W. L. MACKENZIE KING,  
Prime Minister of Canada,  
Parliament Buildings,  
Ottawa, Ontario.

PRIME MINISTER

PROVINCE OF BRITISH COLUMBIA

VICTORIA, November 8th, 1940.

Right Honourable W. L. MACKENZIE KING,  
Prime Minister of Canada,  
Ottawa, Ont.

DEAR PRIME MINISTER KING:

*Re Rowell-Sirois Report:*

I enclose herewith copy of statement which I made in the House yesterday in connection with letter which you sent to me in regard to the Rowell-Sirois Report.

I beg to remain,

Very faithfully yours,

T. D. PATTULLO.



STATEMENT BY PREMIER T. D. PATTULLO  
IN LEGISLATURE

Nov. 7th, 1940.

On Monday of this week I received a communication from Prime Minister Mackenzie King with reference to report of the Rowell-Sirois Commission. A copy of this letter was presented to Parliament to-day by the Prime Minister.

In view of the fact that Prime Minister King has stated in his letter that in the opinion of the Dominion Government the adoption of the Commission's recommendations is necessary to put our country in a position to pursue a policy which will achieve the maximum war effort and at the same time lay a sound foundation for post-war reconstruction, it seems to me that I should make a statement to this Legislature as to the position of the Provincial Government.

I had heretofore refrained from making any pronouncement because I felt that no definite and unalterable commitment should be made until opportunity had been afforded to discuss the whole situation with the Dominion Government and the other Provinces. I have stated upon many occasions that it is the desire of this Government to co-operate to the full with the Dominion and the Provinces looking to adjustments on a mutually satisfactory basis, and that this would necessarily involve some give and take.

Prior to the submission by Prime Minister King of his letter to Parliament, I telephoned to Mr. King. He advised me that while the Dominion Government was making known its general attitude towards the report of the Rowell-Sirois Commission, that at the conference which it is proposed to hold in January, his Government was prepared to hear representations of all the Provinces and to make any adjustments which circumstances and conditions appeared to dictate.

I look upon the report of the Rowell-Sirois Commission as of most valuable character, but this Government is not prepared to accept the recommendations of this report in toto as suitably applicable to British Columbia. I do not agree with all its conclusions and the very bases upon which those conclusions were arrived at by the Commission, have in this already short space of time very considerably altered, and have changed the picture.

I submit that there are five economic and social units in Canada—the Maritimes, Quebec, Ontario, the Prairie Provinces and British Columbia, and while I think it is desirable that as far as possible the same yardstick shall apply to all, the fact is that in a country as far flung as Canada, it is not possible that a single measure would meet the circumstances of each individual Province. There must be a degree of elasticity. It is this lack of elasticity that has brought about the present situation.

I know that the people of this Province are prepared to make any necessary sacrifice in winning this war and that that object is beyond all else, but this Government will not concur in enactments of permanent character which may, and in considerable probability will be inapplicable to conditions which may arise after and out of the war.

There are those who would advocate placing in the hands of the Federal authority plenary powers even to the extent of those which are now exercised during this war period. In peace time such authority could only lead to



disruption and disunity. Undue centralization of any kind would be harmful. There are certain jurisdictions which should be exclusive to the Dominion and the Provinces respectively and these should be clearly and definitely stated. There are other jurisdictions where joint participation would appear desirable. These also should be clearly defined.

This Government proposes to co-operate to the full with the Federal Government and other Provincial authorities to reach common ground, but in so doing we must not sacrifice the well being of British Columbia.



## COPY OF LETTER SENT BY THE PRIME MINISTER TO THE PROVINCIAL PREMIERS

OTTAWA, December 28, 1940.

MY DEAR PREMIER:

The government has now had an opportunity of giving consideration to a procedure to facilitate the deliberations of the Conference with the Provinces to consider the recommendations of the Royal Commission on Dominion-Provincial Relations. In view of requests from several of the provinces, a proposed agenda which we will recommend to the Conference has been worked out and is outlined below.

I propose to open the Conference in a public session with a general statement of the Dominion's attitude to the Commission's recommendations, of the relation of these recommendations to the war and the post-war conditions with which Canada will inevitably be faced. I shall then invite the Premiers to express the views of the Provincial governments on the general principles embodied in the Commission's recommendations.

The purpose of the opening session of the Conference will be to provide an opportunity for general statements by the Federal and Provincial governments of their attitude toward the recommendations of the Report as a basis for a sound relationship between the Provinces and the Dominion and particularly as a means whereby the national war effort can be rendered most effective. I should like to emphasize the view of the government that the opening session should be confined to general statements and not to debate on points of detail or special circumstances. Ample opportunity will subsequently be afforded to consider all relevant issues.

After the statements have been made at the General Conference which will meet in the House of Commons at 10:00 A.M. on January 14, 1941, it is proposed that the Conference will then resolve itself into working committees, which will sit in camera. Verbatim records will be kept of all proceedings. The organization proposed is as follows:—

### THE GENERAL CONFERENCE:

Chairman: Right Hon. W. L. Mackenzie King  
Members: All Dominion and provincial delegates  
Secretary: Alex. Skelton  
French Secretary: Paul Fontaine

### *Finance Committee:*

Chairman: Hon. J. L. Ilsley  
Members: Dominion Ministers to be selected  
Provincial Premiers and Treasurers  
Dominion and Provincial advisers

Secretary: R. B. Bryce

To review the Commission's Plan 1 in detail, discussing the proposed transfers of revenues and expenditures, the National Adjustment Grant mechanism, and the Finance Commission functions in successive stages. This Committee would meet in the mornings and *ad hoc* sub-committees would be appointed by it to deal with details which might require clarification in the afternoons, reporting to the main Committee next morning.



*Labour and Unemployment Committee:*

Chairman: Hon. Norman A. McLarty

Members: Dominion Ministers to be selected

Provincial Ministers or delegates selected by their governments

Dominion and Provincial advisers

Secretary: A. MacNamara

To discuss the Dominion's proposals to implement the Commission's recommendations for dealing with unemployed employables and the most efficient methods of coordinating provincial and municipal welfare services with Dominion unemployment insurance and employment services. This committee would also consider the Commission's recommendations concerning hours of labour, minimum wages and industrial disputes, and as well the relations of the recommendations to the probable post-war problems and the preparatory steps which could be usefully taken now.

*Special Problems Committee:*

Chairman: To be selected.

Members: Dominion Ministers to be selected

Provincial Ministers or delegates selected by their governments

Dominion and Provincial advisers

Secretary: J. A. Corry.

To discuss the Commission's recommendations and suggestions dealing with agriculture and marketing, fisheries, insurance, company regulation, administrative economies, research and statistics, Dominion-Provincial conferences, transportation and freight rates, inter-provincial trade barriers, municipal reorganization, special claims by provinces, etc.

*Constitutional Committee:*

Chairman: Right Hon. Ernest Lapointe

Members: Dominion Ministers to be selected

Provincial Attorneys-General

Dominion and Provincial advisers

Secretary: Brooke Claxton.

To discuss the methods by which the recommendations could be best implemented. It would, in addition, discuss other of the Commission's recommendations which are primarily of a constitutional and legal nature, such as delegation of powers, consolidation of certain courts of appeal, implementation of I.L.C. conventions, etc.

Following the completion of the deliberations of these Committees the general Conference would then reconvene and hear their reports. Consideration would then be given to these reports and to methods of implementation.

It is hoped that the proposed method of procedure will be agreeable to yourself and to the delegation from

Yours sincerely,

W. L. MACKENZIE KING.



## DOMINION-PROVINCIAL CONFERENCE

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HOUSE OF COMMONS CHAMBER, OTTAWA, JANUARY 14, 1941

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### REPORT OF PROCEEDINGS

The Dominion-Provincial Conference which was convened to consider the report of the Royal Commission on Dominion-Provincial Relations met in the Commons Chamber at 10.30 a.m., the Prime Minister, the Right Hon. W. L. Mackenzie King, presiding.

The conference opened with formal prayers by His Honour, J. A. Glen, M.P., Speaker of the House of Commons.

#### OPENING ADDRESS BY THE PRIME MINISTER

Right Hon. W. L. MACKENZIE KING: I desire, on behalf of my colleagues and myself, to express to the premiers of the several provinces of Canada here assembled, our warm appreciation of their acceptance of the invitation extended in my letter of November the 2nd, 1940. We extend a most cordial welcome to you and to the various provincial ministers and officials who have been able to accompany you.

In the letter of November the 2nd, we asked you to meet us in conference to consider the report of the Royal Commission on Dominion-Provincial Relations. The commission was appointed under an order in council of August the 14th, 1937. Its labours were inevitably lengthy and arduous. It was not possible for the commission to present its report to the government until May the 10th, 1940. Care was taken to see that the dominion and provincial governments received the report at the same time in order that all might be simultaneously informed of its contents. The report was tabled in parliament on May the 16th, 1940.

We desired from the outset to arrange for the earliest possible conference between the provinces and ourselves to consider the commission's recommendations. It was felt, however, that sufficient time should elapse to permit of a careful study of the report and its recommendations, not only by members of the governments concerned, but by all who take a special interest in public affairs.

In order to make possible our present meeting in this first month of the new year, it was necessary to have the proceedings of the several legislative bodies so arranged as to enable a conference representative of all governments to be held in Ottawa at this time. The action taken to this end is particularly appreciated as evidence of the importance which the provinces as well as the dominion attach to the grave questions of mutual concern which have occasioned our meeting together.

While the proceedings of the conference itself must necessarily be restricted to the matters appearing on the agenda to be agreed upon by the conference, my colleagues and I earnestly hope that, during the intervals between its sessions, every opportunity will be taken of the presence of so large a gathering of provincial and federal ministers for informal discussions of any questions of mutual interest. I would venture the opinion that, with reference to the

conference itself, the more the subjects on the agenda can be considered and discussed in a free and friendly manner, at intervals between the sessions of the conference, the more fruitful the sessions themselves are likely to be.

The question of procedure will be for the conference to decide. In the proposals that have been made by letter, for your consideration in advance, we have been guided by the methods adopted at Imperial conferences, and at previous meetings between the dominion and the provinces. You will be asked to consider whether verbatim reports are desirable, and to whom they should be made available, and whether the press and public should be admitted to the meetings of the various committees and to other plenary sessions of the conference.

Anticipating the natural desire for as much public information as possible, tentative arrangements have been made for a liaison between the committees and the press which, it is hoped, will serve to meet the needs of the situation. I should like to emphasize that, while the proposals we have made for the conduct of the proceedings of the conference are those which we felt would, both immediately and in the long run, best serve the interests of the country, they are, of course, merely tentative. The opinions of the delegates here assembled will be the deciding factor. Perhaps the best way in which to arrive at a decision would be for the premiers of the provinces to meet together in conference with two of my colleagues to consider the suggested agenda and procedure and then themselves decide to what meetings and to what committees the press and the public should be admitted. I think I may say that my colleagues and I will be quite prepared to accept the decision of the majority of the provinces.

#### THE COMMISSION—ITS PERSONNEL AND WORK

I am sure that it is the wish of all who are gathered at this meeting that I should express our thanks to the able and distinguished men who are responsible for the report which we have before us. It is a matter of the deepest regret to us all that the Honourable N. W. Rowell, the commission's first chairman, should have been so stricken by illness that he was not able to take part in the completion of the great work which gained so much from his planning, direction, inspiration and example. I know that those who were associated with him would wish to say how much they and we owe to his wide knowledge of Canada, her history and her institutions, his broad human sympathy, his patience and his tact. It is only right and fitting that his name and that of his successor should be given to the report which crystallizes the results of the commission's labours.

The country was, indeed, fortunate that Dr. Joseph Sirois was able to assume the burden which Mr. Rowell was obliged to lay aside. Dr. Sirois brought to his task great knowledge, great experience and great ability. I regret that owing to a recent indisposition Dr. Sirois is prevented from being with us to-day. It is the hope of us all, I am sure, that his early recovery of complete health will restore him to the important branch of the public service with which he has recently been entrusted.

The commissioners began and continued their labours in a spirit of scientific inquiry. They travelled to all parts of Canada. By interview, by evidence, by personal investigation and by study, they gathered together material for what can be fairly described as one of the most exhaustive and comprehensive surveys that has ever been made at one time of the historical and economic background of the social life of any country. In this work they were assisted by many able and experienced specialists in the field of economics, finance, social science and constitutional law.

The work of the commission is to be found not only in the three major volumes of its report, but in the comprehensive and authoritative studies which

[Mr. Mackenzie King.]



accompany its publication and form the basis for its findings. These volumes are notable examples of Canadian scholarship and research. While the final reputation of the report will no doubt depend upon the manner in which it can be wisely used in the national interest, it will always remain as a splendid contribution made by able and public-spirited Canadians to the history and progress of their native land.

#### CONFERENCE IN WAR TIME

I should like, now, to state the reasons which prompted the federal government to invite the provincial governments to meet with us at this time to consider the recommendations of the commission. It has been said that, by calling a dominion-provincial conference in war time to consider the fundamental problem of the relations between the dominion and the provinces, the federal government is running the risk of impairing Canada's war effort, by diverting energies which should be concentrated on the prosecution of the war. It has been asserted that in time of war, neither the federal government nor the provincial governments have the necessary leisure to give the calm and dispassionate consideration to their intergovernmental relations which is required if these are to be adjusted on a fair and permanent basis. The fear has also been expressed that the conference will result in differences between the dominion and the provinces, or between one province and another, which may threaten the national unity.

The federal government, I need scarcely say, would be the last to take any step which it felt would impair the national war effort, or the national unity on which our war effort is based. I might add that we would be the last to wish to add, to the tremendous burden of organizing the war effort, other burdens and responsibilities. If we had believed that a dominion-provincial conference would have such consequences, the invitations to the conference would never have been issued. Moreover, the assumption that a dominion-provincial conference would endanger the national unity of Canada, so essential to our war effort, would be a grave reflection upon the patriotism of all governments represented here.

There are, of course, bound to be differences of opinion whenever a conference is held. Government itself, in a democratic state, is largely concerned with overcoming and reconciling differences. In fact, if no differences existed, no conference would be necessary. It was because differences existed that the commission was appointed to study the problems to which they gave rise, and it was in an effort to suggest a solution of the problems that the report was prepared.

It will be recalled that among the reasons which led to the appointment of the commission in 1937 were representations to the effect that the discharge by the dominion and provincial governments of the respective responsibilities involved expenditures of such a magnitude as to demand not only the most efficient administrative organization on the part of all governments, but also the wisest possible division of powers and functions between governments. It was felt, at that time, that unless appropriate action were taken, the allocation of governmental powers and responsibilities made at the time of confederation would not be adequate to meet the economic and social changes, and the shifts in economic power, which were in progress, without subjecting Canada's governmental structure to undue strains and stresses.

It is unnecessary for me to point out that, apart from the war, governmental expenditures have been steadily increasing, and, as a result of the war, have become phenomenal. The stresses and strains to which, in consequence, relations between the provinces and the dominion were subjected, prior to the appointment of the commission, have been greatly intensified under the pressure of war. They will continue to increase as the war continues, and in the post-war

period. If the conditions of 1937 were such as to justify the appointment of the commission, the conditions which face all Canadian governments to-day are certainly such as to necessitate the most careful consideration of its recommendations.

While we necessarily incur a great responsibility in bringing the provinces and the dominion into conference at this particular time, had we failed, in existing circumstances, to call the conference, we should have incurred a still greater responsibility. We know that the problems of dominion-provincial relations are being intensified by the war, and that the difficulties of their solution will increase the longer the attempt to meet them is delayed. We all know that the war effort itself will be prejudiced if the growing stresses and strains in intergovernmental relations are not relieved.

The federal government is charged with special responsibilities in the direction and conduct of Canada's war effort. We realize that the measures, and this applies particularly to the financial measures, which it has been and will continue to be imperative for the federal government to take for the successful prosecution of the war, necessarily have profound effects upon the provinces, and particularly upon their finances. It seemed, therefore, desirable to take the earliest opportunity of meeting with the representatives of the provinces to discuss the relations between their governments and the federal government, with a view to reducing to a minimum the possibilities of misunderstanding and friction which might otherwise result from the operations of the war measures of the federal government.

While the direct responsibility for the conduct of the war is necessarily that of the federal government, the provincial governments, as we all know, have also a vital part to play in the development of a maximum war effort by the Canadian people. The importance in war time of the home front can scarcely be exaggerated. If we are to do our utmost, we all know how essential it is that we maintain in our own country at this time of war the fundamentals of the democracy we are defending. The preservation of the fabric of democracy in Canada, the safeguarding of minimum standards of living, and the maintenance of as great a measure of equality of sacrifice as possible, depend upon the policies of provincial and federal governments alike. We believe that the people of Canada will wish all their governments to cooperate to further these ends.

#### CONFERENCE NECESSARY APART FROM WAR

This leads me to say and, indeed, to emphasize the fact, that the dominion government is not concerned merely with its own immediate problems. Had we escaped war altogether, an early conference to deal with the commission's report would have been advisable, and necessary to meet the particular problems with which the provinces were faced.

Many of the provinces have met, and will continue in accentuated measure to meet, difficulties in maintaining, with the resources at their disposal, proper minimum standards in education and social services. Obviously, in view of its new and vast war burdens, it will be harder for the dominion to find, in cooperation with the provinces, a solution for these provincial difficulties. In spite of that consideration, the federal government is prepared to make every effort in this direction. We believe, however, that our efforts can be made effective only as part of a general scheme of financial revision.

Neither the dominion nor the provinces can be said to have created the problems which to-day so urgently demand solution. These problems owe their existence in large part to world conditions. I doubt if the dominion has suffered from the situation that has developed as much as some of the provinces. The federal government, however, recognized the seriousness of

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the problems affecting the dominion and the provinces alike. We sought to facilitate their solution by the appointment of a royal commission, and by giving to its members exceptional opportunities for the most complete inquiry and research.

The commission have outlined the situation clearly. They have shown how, in a rapidly changing world, the position of Canada is changing; how a greater interdependence and instability of international trade had profoundly affected Canada because our economy is so closely geared to international markets; and how the changing industrial structure and changing standards of social obligation had created difficult internal problems which did not exist two generations ago.

The commission have worked out a carefully balanced solution. They have recommended what they consider the minimum of change necessary to effect a substantial improvement in the ability of the various governments of Canada to perform their needed services. The recommendations of the commission, we believe, are, at least, as much in the interests of the provinces as of the dominion.

#### THE ATTITUDE OF THE FEDERAL GOVERNMENT TOWARDS THE CONFERENCE AND THE REPORT

I should like now to say a word as to the attitude of the federal government to the work of the conference, and of the spirit in which we are approaching the consideration of the report and its recommendations. As I indicated in my letter of November the 2nd, the report commends itself strongly to our judgment. It is our considered view that the adoption of the commission's recommendations is necessary to put our country in a position to pursue a policy which will achieve the maximum war effort, and at the same time to lay a sound foundation for post-war reconstruction. That is our conviction, after a careful study of the report and its recommendations.

In thus stating our position, I do not wish it to be understood that we regard the report as the last word. Nor do we mean to suggest that the recommendations of the report must be accepted or rejected as a whole. The report itself makes it clear that the financial scheme proposed by the commission constitutes a single recommendation, all parts of which are inter-related and interdependent. The financial adjustments recommended constitute a balanced plan which involves the assumption of heavy burdens and responsibilities by the dominion with compensation to the dominion through the concession of exclusive instead of concurrent powers in certain fields of taxation.

While recognizing that the financial plan must be considered as a whole, we have never doubted that modifications in details of financial recommendations may prove desirable, in particular in the arrangement of the national adjustment grants on the basis of more recent and complete data.

Let me repeat: While the recommendations of the report have commended themselves to our judgment, we do not approach the conference with our minds closed. We do not say "all or nothing" or "everything at once." We readily recognize that the recommendations on all subjects may not be immediately acceptable. They must be considered on their merits in relation to the obligations of the provinces as well as to those of the dominion.

If we do not approach the conference with our minds closed, much less has the federal government any thought of trying to impose the recommendations of the report upon the provinces. It is one thing, however, to try to force a solution, and quite another to do our utmost to find one. What we seek is the largest possible measure of common agreement to enable the federal and provincial governments so to cooperate as to make our Canadian system work with less friction and greater efficiency for the benefit of the people of Canada in all the provinces.

While the report was submitted to the federal government, it was made for the whole Canadian people. The commissioners were bound in their deliberations to consider every part of the nation, as well as the whole. The report itself points out that the commissioners have been concerned not merely with the interests of the federal government, but with a scrupulous respect for our federal system. It states that they were actuated by the aim of ensuring "to each province the ability to decide issues of peculiar importance to itself." In other words, the report is as much concerned with the safeguarding of provincial interests as with the protection of federal interests.

The government believes the commissioners have performed a fine service in their report and that the proposals provide a fair and helpful basis for a solution. If a better solution can be found, it will be welcome. We feel, however, that no solution can be adequate which does not recognize the real difficulties with which Canada is faced, and which does not take into account the suggestions made by the commission for their solution. We feel, too, that in offering criticisms of the recommendations, it should be realized that criticisms will be tested by the value of the alternative proposals put forward to meet the problems with which Canada is faced.

#### THE CRUX OF THE PROBLEM

The crux of the problem which faced the commission and which faces this conference is, of course, the financial relationship between the federal and provincial governments. When the commission was appointed those relationships had been seriously strained, and the autonomy of many of the provinces endangered by the terrific financial burden of unemployment relief upon all governments. The burden has to-day been greatly reduced, but the heavy charges imposed by the governmental debts incurred in meeting it unhappily remain.

In its place has come the far heavier and steadily growing burden of financing Canada's share in the greatest war in history. The burdens of war are imposed upon governments and taxpayers alike. War has inevitably increased the competition between governments to secure revenues, and it has aggravated the overlapping, cumbersome and discriminatory character of much of our tax structure. The competitive effort to secure revenues is bound, as time passes, to create growing friction between the dominion and the provinces, and even to produce friction between one province and another. It hangs over the country as a threat to its unity. If it is allowed to continue, our national war effort will inevitably be hampered, and there will be no possibility of distributing the burden of war equitably.

It has been said that the constitutional provision which empowers the federal parliament to raise money "by any mode or system of taxation," being unlimited, would enable the government to finance the war without recourse to any arrangements or adjustments with the provinces. That is, of course, true, and that is in fact what was done in the last war. This procedure is advocated by those who would have the federal government in war time stretch its powers to the limit, without reference to the consequences of their application upon the finances of the provinces, or upon the future well-being of the country. This course would, however, involve grave inequalities and injustices. It is hard to say how it could fail to provoke serious discontent and a weakening of morale. These, in their turn, would weaken the effort which Canada could put forth in the winning of the war.

We are approaching this difficult problem from an entirely different point of view. We are approaching it in a spirit of conciliation and cooperation. We have deliberately chosen the method of conference. We have felt that in justice to the provinces they should be called into conference and that all should seek by agreement to avoid consequences which in the end would affect the whole

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nation and every province. We realized that so long as the present arrangements continue, Canada would not be able to put forth her maximum productive effort to win the war, nor to distribute its cost justly and fairly.

We feel too that while our energies at present must be concentrated upon the prosecution of the war, neither the federal nor the provincial governments can afford to neglect the future. The perpetuation of the existing inequality, inefficiency and duplication of our governmental financial structure will leave us in no position to make the social and economic adjustments which will be necessary after the war. The war will inevitably be followed by a period of reconstruction which will impose new obligations and burdens upon all Canadian governments. Our governments will need the highest attainable efficiency, as well as the most harmonious relations between them, if they are to be equal to the tasks which they will have to bear. All I am sure will agree that the sooner we are able to make the necessary adjustments, the better equipped we will be to finance the war, and to cope with post-war problems.

#### THE RECOMMENDATIONS OF THE REPORT

It would be inappropriate for me, at the opening session, to enter into a detailed discussion of the recommendations of the report. I shall, however, doubtless be expected to state briefly what the principal recommendations are and to indicate why they commend themselves to our government. In accordance with its terms of reference the commission has inquired into all aspects of the division of governmental powers and responsibilities between the dominion and provinces, and its recommendations and suggestions have therefore covered a broad field. These concerned, for example, provision of a systematic procedure for regular dominion-provincial conferences, provision for the delegation of powers by the dominion to the provinces, and vice versa, and provisions regarding labour legislation and social welfare generally.

However, as already mentioned, the crux of the commission's proposals lies in the four provisions of its financial plan. Very briefly these are:

1. That the dominion take over the whole burden of provincial net debt.
2. That the dominion relieve the provinces, and therefore also the municipalities, of the whole burden of relief for the employable unemployed and their dependents.
3. That the dominion be conceded the exclusive rights to levy succession duties, and taxes on personal incomes and corporations.
4. That the existing provincial subsidies be abolished; and that, where necessary, the dominion make to the provinces national adjustment grants, calculated to enable the provinces to maintain an average Canadian standard of essential services with an average level of taxation.

The assumption of provincial debts by the dominion government, while imposing upon the federal authorities a heavy financial burden would carry with it three major advantages. It would remove the burden of debt from people who dwell in the areas incapable of bearing it, whether the incapacity arises from a loss of population, a loss of markets, the calamity of drought and pestilence, or over-expansion consequent upon the reasonable but unfulfilled expectation of growth.

It would strengthen Canadian credit by removing the danger of provincial default, credit that must be kept sound if we are to bring to the protection of Canadian social standards and to the defence of civilization all the weight and power of our resources. In strengthening the credit of Canada, it would strengthen the public and private credit of the industrial provinces of Canada. For the financial difficulties of one province are bound, in the long run, to be a burden upon, and a threat to, the financial position of every other province.

The assumption by the dominion of provincial debts would also ensure a very considerable saving to Canadian taxpayers whenever debts originally incurred on the credit of the provinces become subject to domestic or foreign refunding on the credit of the dominion.

The transfer to the federal government of the whole cost of relief for the employable unemployed and their dependents is the logical outcome of the experience of the past. It would prevent a repetition of the confusion, the inefficiency, the waste, the delay and the inequalities that have admittedly prevailed in the administration of relief since 1930. It would abolish the illogical incidence of the present responsibility, where the heaviest burden necessarily falls on the jurisdiction that is least capable of bearing it, and where one species of property, namely, real estate, carried far more than its share of the cost. The new proposal recognizes the inability of local communities to deal with mass unemployment and agricultural distress resulting from causes beyond the control of the province, and the impossibility of dealing with unemployment relief or agricultural relief as a national economic problem on the present basis of local financial responsibility.

Obviously the dominion could not take over provincial debts, or the whole cost of relief without compensating adjustments. The proposed exercise by the Dominion government of the exclusive right to levy income tax, corporation tax and succession duties represents in the opinion of the government's financial advisers the one way by which we can finance our great and growing obligations efficiently and equitably, and at the same time assume the additional burdens it is proposed should be transferred from the provinces to the dominion. It is axiomatic that the largest taxing authority is the most efficient taxer of income. It can prevent evasion, and fit taxes most accurately to the ability to pay. The exclusive right of the dominion to the taxes referred to would remove discriminatory, double, and in some cases, treble, taxation, and would reduce the cost of collection to governments and to taxpayers. It would make possible a scientific reform of the whole Canadian tax system, and thereby remove obstacles in the way of an expending national income.

National adjustment grants to the provinces would do away with what is chaotic and illogical in the present system of subsidies. These subsidies are the product of historical accidents, and in some cases of political pressure. The proposal to substitute grants, determined upon a scientific formula, is a recognition of the broad human proposition that every citizen of Canada is interested in the social welfare of every part of Canada.

The system of national adjustment grants, although it may need some revision from time to time, would guarantee that every province, no matter what disasters it has known in the past, or what calamities it may face in the future, would be in a position to supply, on an average basis of taxation, at least the Canadian average standards of education and welfare services.

I should perhaps emphasize that the taxes which it is recommended the dominion should exclusively levy are taxes which the dominion now has the power to levy. It is not, however, an exclusive power. The dominion does, in fact, now levy income taxes on persons and corporations. Most of the provinces and even some municipalities also impose taxes in this field. They are calculated on widely varying bases, and with differing distributions of their burden. The result is a lack of uniformity and equity in the incidence as between the people of one province and another, which can be eliminated only by a removal of the duplication and overlapping which now exists.

Any one of the financial concessions to the dominion taken alone can of course be shown to work with disadvantage to one or more provinces. The financial recommendations should not be considered individually; they should be viewed as a whole. Concessions must be balanced against contributions.

Obviously, so far as the fiscal relationships are concerned, the main effect of the war now, and for years to come, will be to increase vastly in amount the revenues which the dominion will require for the conduct of the war, and increase the proportion of available public funds which will be required for this dominion obligation. In some way or another, the dominion will have to find these revenues if Canada is to take her full part in this decisive and fateful struggle.

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The federal government is well aware that, should the recommendations of the report be adopted, it will, at the outset, be called upon to accept an initial increase in the financial burdens. It is apparent, however, that once the major fields of progressive taxation are reserved for dominion use, initial expenditures will be gradually absorbed. In the process, the taxpayers of Canada will be saved the money that is lost on duplication of collection, waste and successful evasions.

#### PROVINCIAL AUTONOMY AND RESPONSIBLE GOVERNMENT

Before concluding my remarks, I should like to correct one or two misapprehensions which appear to have arisen regarding the recommendations we are about to discuss. An exaggerated notion has arisen that we are proposing to rewrite the constitution, or to rebuild the structure of confederation. The recommendations involve no such grandiose design. The structure of confederation houses a nation which is to-day stronger and more united than ever before. The weight of the structure is, however, not so evenly distributed as it was originally. It has been shifted in places by the vicissitudes of time, and, particularly, by the storms of recent years. It rests to-day more heavily on some parts of the foundation than on others. The problem facing us at present is to distribute the total burden more evenly, and to strengthen the parts of the foundation which must bear the increased and increasing burdens.

It has also been said that the report aims at the centralization of authority at Ottawa. As I interpret the recommendations, no such effect is intended. The commission was instructed to make recommendations which would enable all governments to function more effectively, and more independently, within the spheres of their respective jurisdictions. Far from seeking to weaken or destroy the autonomy of the provinces, the recommendations aim at rescuing autonomy from the perils of confused and overlapping jurisdictions, and making clear definitions between the functions of the federal and provincial governments. In the words of the report, the aim was "throughout to safeguard the autonomy of the provinces, and to ensure to each province the ability to decide issues of particular importance to itself."

It is recognized that the substance of provincial autonomy will become only a shadow if provinces are not in a position to discharge the financial obligations without which the other duties of government cannot be performed. The best way to preserve provincial autonomy is to maintain provincial credit. To quote the report itself again, "The financial recommendations aim to place every province in a position to finance its own social welfare programme in accordance with average Canadian standards."

Throughout the report, the federal character of our constitution is constantly stressed. There is no attempt to upset our typical Canadian form of federation. There is no suggestion that the federal government should be strengthened at the expense of the provincial governments, or the provincial governments at the expense of the federal government. The purpose of the report is to strengthen both in their own spheres, so that they may be able to discharge their functions efficiently and in accordance with the will of the people whom they serve.

The commission has not recommended that any constitutional right now belonging exclusively to the provinces should be allocated to the dominion. In all constitutional recommendations, the commissioners recommend that the province shall have jurisdiction in all matters in which there is not a paramount and clearly apparent national concern. The special traditional rights of French-speaking Canadians are both preserved and emphasized. The report recommends particularly that the performance of the functions of the dominion government in Quebec shall always be in the hands of officials who have knowledge both of the French language and of local conditions and customs in the province.

The commissioners have recognized the basic principles of democratic government. Government, to be effective, must be responsible. Responsibility should be clear. It should not be lost in a multiplicity of jurisdictions or a maze of constitutional disputes. The people have a right to know to which government they must look to exercise the control of all essential services, social and economic, without which democracy loses its meaning. The constitution should be a clear statement of powers designed for prompt action and effective administration. It should never be allowed to be a legal excuse for the non-performance, or a legal hindrance to the performance of duties and things necessary for just government and social welfare.

#### PARTNERS IN A GREAT ENTERPRISE

In conclusion, may I say, we firmly believe that the prosperity of Canada depends upon the prosperity of every part of Canada. No province of Canada, however concentrated its wealth, however large its population, however strong its industrial foundations, can hope to remain prosperous if any other part of Canada becomes an area of distress. Some provinces of Canada may, at first sight, appear to suffer a temporary handicap if the recommendations are adopted. We believe, however, that if a long view is taken, the adoption of the recommendations and their progressive effect upon the economy of the whole country will be of substantial benefit to all the provinces.

It is a truism that in any federal system every geographical division is a part of the whole and of every other part. There is a mutuality of interest in war and in peace, in prosperity and in adversity, in trade, in business and finance, and not least in those wide human and cultural relations on which the happiness of the people finally depends. Truly, we are members one of another. The recognition of this truth will guide us in our efforts to reach agreement along the path of co-operation. In meeting the problems of the war, and in looking to the new social order, which we pray may follow in our own and in other lands, there is at least placed upon us the obligation not to allow any short view, or narrow division, or sectional dissension, to be an obstacle to an honest, persistent and thorough attempt to solve our national difficulties. Our willingness to be tolerant, moderate and helpful will be the measure of our capacity to succeed. Everything will depend upon the spirit which inspires the conference and guides our words and actions. We meet, not in opposition one to the other, but as partners in the great enterprise of furthering the common interest of our country, and preserving its national unity.

#### FOR THE PROVINCE OF ONTARIO

Hon. MITCHELL F. HEPBURN (Premier of Ontario): Mr. Prime Minister and gentlemen, during this time of stress and strain and ruthless warfare I have never publicly criticized the Sirois report or its recommendations. I did make a statement about the timing of the publication of the report because I believed then, and still believe, and am joined in this belief by many persons, that I did a public service in calling attention to the act of throwing into the arena of discussion a highly contentious document at a time when people who love the Empire and all it stands for are concerned with one thing, and one thing alone—the successful prosecution of a victorious war in which our national security is at stake. For if our effort fails, Hitler, and not the delegates present at this dominion-provincial conference, will settle our domestic problems.

In this regard the policy of the government of Ontario has not changed in any particular. Those of us who represent the central province have been consistent in our attitude.

[Mr. Mackenzie King.]



Some while ago a former associate of mine in the House of Commons, my good friend the Minister of Finance, journeyed to Toronto, at which time he discussed with Mr. Nixon, Mr. McQuesten, Mr. Walters and myself the advisability of implementing the recommendations of the Sirois report. Along with my colleagues present, I urged—yes, almost begged him to use his influence to prevent this becoming a national issue during war time. I am satisfied he conveyed my message to the Prime Minister. I was, therefore, somewhat perplexed when, a few days later, I received a letter from the Prime Minister of Canada advising that a conference would be called and that the federal government was, in effect, recommending favourable consideration of the commission findings. Again, in order to maintain our consistency, I replied as follows:

I have your letter of November 2nd, regarding the Sirois commission report.

I was hopeful that a discussion of this problem could be delayed until after the war so that there could be no possibility of any controversial issue arising which might impair national unity and the effective prosecution of the war.

However, in view of the fact that a conference is to be called it is the intention of this government to make available its representatives any time that may be required after the middle of January, as suggested by you.

Later still, on December 28, 1940, the Prime Minister in a letter stated in part:

In view of requests from several of the provinces, a proposed agenda which we will recommend to the conference has been worked out and is outlined below.

Not having been asked for, nor having made any recommendations, I therefore am free to suggest that further consideration be given to the following sentence in the letter in question:

I should like to emphasize the view of the government that the opening session should be confined to general statements and not to debate on points of detail or special circumstances.

The following paragraph of the letter informs us that the conference will then resolve itself into working committees, which will sit in camera.

The Ontario delegates desire that we state our case publicly and briefly and at no time be a party to a scheme which withholds from the press and the public vital information to which they are justly entitled.

We were not informed nor consulted with regard to the terms of reference contained in the order in council passed by the dominion cabinet which gave life to the commission itself.

When Ontario's presentation was made we asked for nothing. When the findings were agreed upon by the commissioners, Ontario had no representative, Mr. Rowell having long before retired because of ill health. But later on we were presented with a costly five hundred thousand dollar report—the product of the minds of three professors and a Winnipeg newspaper man, none of whom had any governmental administrative experience, and whose opinions all of us cannot share.

In view of the fact that, in the report itself, it is stated that Mr. Rowell had nothing to do with it, his name, which has been tagged on for purposes of propaganda, can very well be omitted in future.

Those of us who believe in democracy abhor the very word propaganda because the circulation of ready-made opinions by any centrally-controlled power is the most dangerous enemy of civilization. From this perspective we see the evil working of such a vicious system in Europe, leaving in its wake misery and suffering which shakes one's faith in humanity itself.

Let us guard carefully for fear a similar frankenstein does not appear in our midst. In the first flush of public reaction the propaganda machine made

it appear that to implement this document would make the provinces richer and, at the same time, make the dominion richer by the simple process of transferring debts and revenues to the central government.

Inasmuch as there are only two parties to the deal, surely one need only to have an elementary knowledge of economics to appreciate the fact that both cannot win. Unless there are transferred with the debts sufficient existing provincial revenues, the dominion will have to increase taxes or debt or probably both. This does, however, offer an opportunity to explore every possibility of reducing all governmental costs in Canada and, to this end, Ontario is prepared to cooperate to the limit at the right time. That is a domestic problem to which we can devote time and effort as a post-war problem, and much better be it so too, because the financial problems of to-day may have very little relationship with those of a year hence.

I am convinced that the commissioners were genuinely sincere, and others also, when months ago they stated that by assuming the cost of employables on relief the dominion would render a financial favour to the provinces and the municipalities. But anyone who says so to-day, if conversant with the true facts, is guilty of unadulterated "humbug."

Hon. Mr. Howe said some while ago that, since the report was written, more than half the employables have secured jobs and that the other half would be absorbed in industry during this year. I believe Mr. Howe. In fact, if we are going full out in this war effort, it is a reflection on the government not to put to work immediately the physically fit adult males of all Canada. But the end of employable relief problems does not by any means solve the issue. There is still left the army of unemployables, who to-day make up the vast burden of relief and, generally speaking, will continue to do so.

Under present arrangements, the dominion contributes forty per cent towards the cost of food, clothing and shelter. If this report is adopted in its entirety, the dominion will contribute nothing and its former share will have to be borne by the provinces and municipalities after revenues, out of which these costs were formerly met, have been surrendered to the dominion. I am sure the actual working out of the system is quite different from that anticipated. When the report was written, on page 85, Book II, it is said that the taxes left to the provinces are more stable. In Ontario, we shall have left the profits from the Liquor Control Board operations, vehicle licences and gasoline tax. Where is the stability?

Wartime prohibition, as a dominion measure, has already been requested and, if my memory serves me correctly, the Minister of War Services stated, and quite properly so, that the federal government has the power to enact such a measure.

Already a Fuel Controller has been appointed and he has the power to regulate the distribution of gasoline. As a war measure, he could deprive us entirely of revenues from the licensed vehicles and gasoline. We should then have to go to the dominion authorities with a tin cup in our hands saying—"either contribute to the extent of our loss of revenue or pay for the social services of Ontario"—and, believe me, they are many and varied in this age of growing paternalism.

When the Prime Minister addressed to me on November 2nd, 1940, a letter with reference to this proposed conference, he said in part:

While the cost of unemployment relief has been reduced, the war has cast additional burdens on governments and taxpayers alike. It has inevitably increased the competition between governments to secure revenues, and has aggravated the overlapping, cumbersome and discriminatory character of much of our tax structure.

[Mr. Hepburn.]



I take this opportunity of referring to the actions of the government of the province of Ontario with respect to the Income Tax Act of Ontario. Perhaps I should explain that the Income Tax Act of Ontario differs from the acts of most of the other provinces in this respect—that we allow as a deduction from the income of the Ontario taxpayer the amount of tax paid to the dominion government under the Income War Tax Act before we impose our own tax.

Is that interfering or competing with the dominion, especially as it has been admitted by former ministers of finance of Canada that for the dominion to levy an income tax at all is to invade provincial fields of taxation?

To make such an allowance as I have set out is not competing with the dominion; it is taking a secondary position to the dominion. Furthermore, let me state that the province of Ontario was the first province in Canada to arrange with the dominion to save the cost of collection of the income tax and the economic waste of time of taxpayers; Ontario arranged with the dominion government that the Ontario tax should be collected by the same dominion officers and at the same time as the dominion tax is collected.

That is not competition. That is cooperation, admitted by all, and due credit being given by all taxpayers affected.

Further, the dominion government on September 13th, 1939, added a surtax of 20 per cent applicable to income of 1939 and subsequent periods. This meant a lesser amount of income left in the hands of the taxpayers to be subject to the Ontario tax. The province of Ontario agreed to absorb this loss in revenue.

On August 7, 1940, the 20 per cent surtax and all the old rates under the Dominion Income Tax Act were repealed and in their places newer and higher rates were enacted, and at the same time, exemptions were cut. These changes were applicable to the incomes of 1939. Besides these changes in rates, the new National Defence Tax was enacted applicable to incomes earned from July 1, 1940. The effect of these added imposts was to seriously reduce the revenues of the province of Ontario, and it is estimated that for the fiscal year which begins on April 1, 1941, the province of Ontario will suffer a loss of revenue of upwards of two million dollars.

We have turned over the Elgin Hospital—a seven million dollar institution—and many other provincial properties, without payment or reward and will continue to do so.

We have curtailed our capital expenditures and have delayed necessary works—works that would have been profitable and would have yielded additional revenue.

Then, too, in an effort to encourage the incoming of American tourists who will bring with them much needed American dollars, so necessary to enable the dominion to save exchange and prosecute the war, the province of Ontario has undertaken to expend on publicity and advertising for tourists this year the sum of three hundred thousand dollars. That, according to officials of the dominion government, is cooperation, not competition.

And in respect to the Corporations Tax, it will be within the memory of the representatives of the various provinces here that the authorities of the dominion government have appointed a board to be presided over by the Hon. Charles P. McTague, Justice of the Supreme Court of Ontario, which board has been formed to determine the amount of obsolescence and depreciation that may be allowed taxpayers as a write-off against profits which will be subject to war taxation. The government of the province of Ontario has announced that it will accept without question the findings of this dominion-created board.

Time does not permit a lengthy recital of other acts of cooperation on the part of the government of the province of Ontario, but I challenge anyone

to successfully charge the government of Ontario or, for that matter, any other province, with competition for revenue in fields that do not exclusively belong to the provinces, or with any lack of cooperation whatsoever.

On the other side of the picture, even although the organization of Resources Committee, patterned after the one that functioned so effectively in the last war, was set up by our Ontario Legislature—and by unanimous vote—the nucleus, with power to add, consisting of His Honour Lieutenant-Governor Matthews, Colonel Drew and myself—and even although well over a year ago we journeyed to Ottawa and personally pledged, on behalf of the organization, the fullest measure of cooperation in every possible war effort, the secretary of the organization now advises me that not a single request or communication has been received from the federal government.

Any just criticism that may be levelled against the government of Ontario for its considered judgment on this issue my colleagues and I accept without complaint. But if the propagandists believe for a moment that, because of our attitude, we will remain silent while insinuations are broadcast deliberately for the purpose of branding us as unpatriotic, unneighbourly with our sister provinces, or guilty of doing anything to block Canada in achieving our maximum war effort, then I say to them, “We shall defend ourselves from that kind of attack here, on the floor of the legislature, and on the public platform.”

Here I avail myself of the opportunity of warning the purely financial press and others that they have overplayed their hands by attempting to cloak this report with the garments of patriotism and under the exigencies of war would do irreparable damage to both national unity and confidence.

I desire to quote one authority as a case in point. The *Toronto Star*, a supporter of the present federal government, in its editorial of November 20, 1940, says:

The *Star* believes that the general idea of the report is a good one, the idea that the dominion should be the chief tax collector and, as an offset, assume certain provincial responsibilities.

That was the then friendly policy of that paper. What did the *Star* say in its editorial of Saturday, January 11, 1941? I quote:

The report has, naturally enough, strong backing. Great financial concerns and wealthy individuals who are holders of provincial bonds support a project which would place the credit of the dominion behind provincial securities whose market value has greatly deteriorated. A Toronto broker has estimated that adoption of the report might add as much as \$20,000,000, \$40,000,000 and \$60,000,000 to the value of the bonds of Manitoba, Saskatchewan and Alberta, respectively. This gift to the bondholders would be more costly to Ontario than any other province. Ontario's own bonds would not be increased in value to any marked degree, as its credit closely approaches that of the dominion. A feature of the arrangement not generally realized is that in the case of Alberta the dominion would assume not only the provincial debt, but the defaulted interest on the same. This had reached \$3,400,000 by 1937 and stands now at a much higher figure. Ontario's federal taxpayers provide nearly half the dominion revenue out of which this gift to the bondholders would be provided.

That shows the changing opinion of that great publication. Why? Because that and other newspapers, sensing public opinion, are reflecting the growing suspicion of the awakening public mind. As a political observer I say that there is a fast developing body of opinion, not without cause, now promoting the idea that behind this untimely move, ostensibly as a war measure, is a well-cooked, nefarious deal to make good the losses in depreciation of certain bonds held largely by financial houses, to collect unpaid interest on Alberta bonds and to cause a sharp appreciation in bonds of certain provinces, which bonds were, because of circumstances beyond the control of the respective provincial treasurers, actually sold at much less than par, although the coupon rate was abnormally high. This possible huge capital appreciation is not even subject to federal income tax.

[Mr. Hepburn.]



I solemnly warn those who are obviously pressing for such action that they may aggravate that suspicion and destroy completely public confidence in governments.

Now I come to a subject of even greater importance—national unity. We have it to-day. All Canada is behind the prosecution of the war. We are a united people. We need be. We have a common foe in the dictators. I happen to know something about religious and racial issues. I can speak feelingly on this subject.

We tried, as a government, to remedy a simple obvious injustice and inequality with regard to school tax revenues. We failed, and the very ones we tried to help were as anxious as anyone else to have us retrace our steps. Is not a similar situation, on a larger scale developing to-day?

Already there are rumblings that Quebec is getting preferred treatment. I know that, to some extent, there are extenuating circumstances. But the fact remains that Quebec is being relieved of some of her municipal debts, while other provinces are not. Quebec is to receive an eight million dollar yearly irreducible subsidy, while others including Ontario, are not to receive a cent. Again there are extenuating circumstances. But explanations do not always explain such cases with certain sections of society.

The *Toronto Telegram* is a powerful newspaper and reflects the opinions of many citizens of Ontario who have a great respect for its considered opinions. The *Toronto Telegram* has dealt with this aspect of the report with great effect. I shall not quote from its editorials—that is not necessary. All I can say is not to underestimate the power of the press in this regard. This new issue being developed presents a challenge to those of us who believe in national unity. To blind ourselves to the obvious is not fair to Canada, not fair to our neighbouring province of Quebec, especially when by this deal, according to the best constitutional advice I can get, Quebec and the rest of us will have to agree to a surrender to a central authority of rights and privileges granted by the British North America Act. I say that so long as my colleagues and I have any say in directing public policy for Ontario and so long as there is a British North America Act in its present form, which cannot be amended at will by a mushroom government that may in future take office in Ottawa, we shall, as a sister province, stand solidly beside Quebec if at any time her minority rights are threatened. On this sound foundation of national unity we stand as firm and resolute as the Rock of Gibraltar itself. To lay hands on the life work of Sir Wilfrid Laurier and Sir John A. Macdonald is nothing short of national vandalism.

In the post-war period we may have to open our gates to thousands, yes millions, of European homeless and destitute. If this eventuates, the British North America Act may serve a useful purpose until the process of assimilation is completed.

Is this the time to send a courier to bomb-torn London with a document in his hand and have him step into the Hall of Westminster and ask the British parliament to pause in its consideration of questions determining the very life of the British Empire in order to debate the question of a new constitution for Canada?

To me it is unthinkable that we should be fiddling while London is burning. In the heart of the Empire the citizenry—men, women, boys and girls—with their bare hands are beating out the flames spread by ruthless vandals upon the housetops and the roofs of their homes. Britons, on the shores of the sea and in the streets of their cities, will resist the invader foot by foot with their very lives, as their great leader said they would. Instantly concerned with their struggle to survive and to save us throughout this Empire and with nothing else, they are waging a winning fight to-day, the remembrance of which will never die while freedom lives. They have no other concern.

To-day, while these brave people are shielding their homes with their bodies and braving the bursting bombs and the hail of machine gun bullets, do we read that the Lord Mayor of London has paused in his efforts to save the nation and has called a meeting of the aldermen to consider a readjustment or a revision of the borough system of the great metropolis which is now a beleaguered fortress?

I listen to Mr. Churchill, to Mr. Roosevelt, the two great democratic leaders who stand out as beacon lights in this bewildered world to-day. I believe in their sincerity. Only an all-out effort will save civilization and christianity. Our central government now, under the War Measures Act, has extreme, even dictatorial, power. If there is anything specific that the dominion government wants to help in its war effort, say so, and I am sure every province will assist by passing immediately the necessary enabling legislation. This can be accomplished without controversy and without upsetting our reasonably well-organized system of government.

In our war effort we of Ontario believe we have been helpful and shall continue to be so, even to the extent of not joining in the clamour to unload over two billion dollars of debts of other public bodies on the dominion treasury in war time. The process of transfer itself would be involved and upsetting to our whole financial system. A transfer of all tax collection activities of the classes indicated in the report to the central authority could only be made after complicated and far reaching legislation could be enacted. The time and effort of the federal parliament would be devoted in this direction when every ounce of effort is required in the successful prosecution of the war. And while you thus obligated yourselves to fight this war with the last drop of printer's ink and to the last page of *Hansard*, confusion, utter confusion, would prevail in all governments as existing tax machinery bogged down.

We, in Ontario, I emphasize, have anxiously cooperated with the dominion government in its war effort and shall continue to do so. But this is a peacetime document, and we believe honestly and sincerely that the time to discuss it is not now, but only when the menace to our democracy, Christianity and freedom is removed by the complete defeat and even annihilation of the ruthless Axis powers.

Right Hon. W. L. MACKENZIE KING: I now call upon the premier of Quebec, Hon. Mr. Godbout.

### FOR THE GOVERNMENT OF QUEBEC

Hon. ADÉLARD GODBOUT (Premier of Quebec): Mr. Prime Minister and gentlemen, I hope it will not come as a surprise to anyone here when I say that I do not intend to speak very long in discussing the Sirois report or any part of it at the present time. I have a special reason for that, which I am sure everybody will understand. We from Quebec come here with an open mind on all the questions which are dealt with in the Sirois report. We come here as Canadians, with as strong a spirit of Canadianism as anyone has. We are here to study the various questions which will arise in the course of this week or these weeks—whether it will be a week or some weeks, I do not know—and we are absolutely free to discuss them, because we have not made up our minds on any one of them.

We do not fear any member of this conference. We are sure that what we, as a minority in Canada, have particularly to protect is in good hands, in the hands of all the Canadians who are here to-day. And on our part we do not take a selfish view for our own province only. If there is something in the national life of Canada which should be improved, we are ready to study with our fellow-Canadians any proposed means for improving it. Let me express

[Mr. Hepburn.]



but one thought. I think that if Canada is going to be very strong and happy, which I believe she will be, it will be because of the strength and happy position of every province which composes the dominion. Never shall we build a great country on provinces which have not sufficient liberty of action and responsibility for the development of that great incentive to progress which is necessary in public affairs.

Canada is now at war, and we know that this imposes obligations on every one of its governments, provincial and federal. If there is in any part of this country any situation which might threaten the efficiency of our war effort, I am sure that no province of this dominion and no group of its population would deny to the federal authority the right and the duty to take measures to deal with it. But I think we should meet a special situation with emergency measures, and I do not think that we should condition the permanent future of Canada on the war situation now prevailing.

I repeat that we come here with our minds wide open, and to prove that I will not say anything further at this time. We are here to study. We will listen, and we are ready to cooperate.

Right Hon. W. L. MACKENZIE KING: I now call upon the premier of Nova Scotia, Hon. Mr. MacMillan.

#### FOR THE GOVERNMENT OF NOVA SCOTIA

Hon. A. S. MACMILLAN (Premier of Nova Scotia): Mr. Prime Minister and gentlemen, my remarks too will be brief, as I do not wish to address this conference at any length at the present time. As the conference proceeds with its work, my colleagues and I will be prepared to deal with every situation that presents itself. In the meantime I will content myself with just a few remarks, dealing rather with principles behind the report than with the many details that are found in these voluminous documents.

We appreciate the action of the dominion government in appointing the Rowell-Sirois Commission. We think it was eminently desirable that study and examination should be given to matters which in one province or another had led to difficulties and dissatisfaction since confederation. These difficulties have caused delegations from provincial governments and other bodies to approach frequently the dominion government for increased grants or other assistance to compensate them for losses from which they felt they had suffered as a result of the confederation pact of 1867.

In perusing the history of Nova Scotia throughout the years following confederation, it becomes clear that from an economic point of view that Nova Scotia has changed gradually from being one of the most prosperous to one of the least prosperous areas in Canada. The three chief national policies outlined in Book I, namely, transportation, settlement, and protective tariff, were formulated primarily to assist the economic development of the central and western provinces. The Maritimes received little direct benefit. This is freely admitted by the commissioners in many places in their report.

It is not our purpose on this occasion to thresh old straw, but it has been amply shown over the years that this shift in our economic condition has been due to a considerable extent to the federal policies of the dominion government or to the lack of policies.

While in all areas of Canada there have been increases both in population and wealth, the increases in the maritimes have been much less in proportion than in other areas, which have been to a greater extent the beneficiaries of federal policies.

One result of this changed condition was the loss of a large number of our youth from our province to the United States and to western Canada.

There they have settled in great numbers and established new homes, leaving to us the burden of looking after those who normally would have become their dependents. That is one of our responsibilities to-day—a responsibility that has become a real burden, as is evidenced by the difference in the age distribution of population in the various provinces.

In the representations which we made to this commission we stated that we would endeavour to bear in mind our responsibilities both to Nova Scotia and to Canada and that we would endeavour to base our suggestions upon principles of reason and fairness to ourselves, to the other provinces, and to the dominion as a whole.

To that viewpoint we still adhere. We recognize our position as citizens of Canada. We are not forgetful of our relations to other provinces. At the same time we are fully conscious that our first obligation as provincial representatives is to the province of Nova Scotia and its people, always keeping in mind that the paramount duty uppermost in the mind of every Canadian is the victorious prosecution of the war.

We have given a great deal of consideration to this report. It is an extensive report containing a great many principles and much detail, with the whole of which it would be difficult for every one to agree. If we were asked to give a categorical answer favouring or opposing the report as a whole, that answer, representing Nova Scotia as we do, would have to be "No."

We do not believe, however, that the matter should be approached in this way. We would rather feel that we are called here in conference to work out a plan for the future of Canada, safeguarding at the same time the interests of the individual provinces, and that to assist us in these deliberations we have the Sirois report.

With this in mind we are willing to confer with the dominion and the other provinces in considering the report and its recommendations. The main principles covered in the recommendations offer possibly no insurmountable difficulty to our province, providing that the methods to be followed in applying these, and of which at present we have not full information, do not raise for us difficulties that destroy the value of the recommendations.

It is imperative for us that we be assured of sufficient finances to meet and care for our provincial responsibilities and that we be in a position, on correct and proper principles, with average severity of taxation, to give our people average standards of services, and that fair and equitable treatment as of right be safeguarded to us for the future.

Aside from the financial recommendations, and even if it should not be possible to reach an agreement on any financial plan, there are a number of recommendations, including those dealing with social and labour problems, that should receive the most full and careful consideration. Likewise there are other recommendations of special interest to our province that we expect to have fully discussed at the conference.

While we might not be able to agree with the whole report, there are no doubt many points that may be acceptable to all. It may well be that we may be able to accept the main principles of the report if the details and the methods for applying them can be worked out satisfactorily. We do not intend to dwell on past disabilities, but in any new arrangement we deem it essential that provision be made for definite policies to encourage the expansion of our industries, to promote the economic and social welfare of our people, and to prevent the recurrence of past difficulties. We feel that in making this fresh start the interest of every part of Canada should be carefully investigated with a view to placing every section of the dominion on an even basis, with as nearly as possible equal opportunities for all citizens of Canada.

[Mr. MacMillan.]



Right Hon. W. L. MACKENZIE KING: I now call upon the premier of New Brunswick, Hon. Mr. McNair.

### FOR THE GOVERNMENT OF NEW BRUNSWICK

Hon. J. B. McNAIR, K.C. (Premier of New Brunswick): Mr. Prime Minister and gentlemen, it is with a sense of great responsibility that the delegates from New Brunswick find themselves in attendance at this conference. While we realize that anything we may say or do here will not bind our province until our legislature shall have spoken, we are fully conscious of the duty that rests upon us as Canadians to assist in the solution of the great problems which confront our country at this time.

Our study of the report has borne in upon us an appreciation of the industry and sincerity of purpose which the members of the commission brought to the performance of their important task. Whatever our several views may be on the opinions and proposals contained in the report, we are all disposed, I am sure, to acknowledge the great debt that is owed to the members of the commission and to recognize the value of their work as a contribution to current thought on many important public matters.

We have been asked by you, Mr. Prime Minister, speaking for your government, to express at this time in a general way the views of our province on the conclusions and proposals contained in the report.

At the outset, I must say that we do not concur in the findings of the commission as set out in chapters V and VI of section F of Volume II, where certain special claims advanced by the government of New Brunswick are discussed. However, it is not our intention to ask at this time for a reopening of these matters. We realize that their reconsideration would involve a detailed study which a body of this kind could not expect to undertake; but we wish to make it clear that, in participating in the conference, we definitely reserve all our rights in respect of these claims to which I have referred.

As to those findings and proposals of the commission which are of general application, we feel that they merit the most earnest study. They are numerous and they vary in importance. Some of them are associated intimately with the financial plan recommended by the commission and can scarcely be considered apart from that plan.

One of the essential ingredients of the financial plan is the assumption by the dominion of full responsibility for unemployment and its relief. The recommendation of the commission to transfer to the dominion, jurisdiction over minimum wages and cognate matters would appear to us to be part and parcel of the latter proposal. Other recommendations such as those pertaining to the delegation of powers and marketing control, to mention only two, may well stand on their own merits. We may conceive that they may readily commend themselves to our legislature. To cover the whole list, however, and to express an opinion thereon at this time would, I feel, unnecessarily delay these proceedings.

We believe that the financial plan proposed by the commission is really the crux of the report, and in our opinion it is early to express a definite opinion thereon. Certainly, for us, there are points upon which clarification is necessary. No doubt certain features of the plan will lend themselves to modification. Study may disclose where adjustments and improvements can be made which will tend to render the plan more generally acceptable and more capable of effecting the ends which the commission had in view. Whatever concrete results may flow from this meeting we shall, I am sure, all gain from our intercourse here.

The commission has seen fit to recommend that dominion-provincial conferences shall be a regular feature of our national life, and with that view we are in complete accord. I can assure you, Mr. Prime Minister, that it is the sincere desire of the delegates from New Brunswick to cooperate fully in the careful study of the various questions which will come before this conference.

Right Hon. MR. MACKENZIE KING: We shall hear now from the Premier of Manitoba, the Hon. Mr. Bracken.

#### FOR THE GOVERNMENT OF MANITOBA

Hon. JOHN BRACKEN (Premier of Manitoba): Mr. Prime Minister and gentlemen, at the outset of my remarks may I take just one moment to make an observation or two with respect to the remarks already made by the previous speakers. I should like, Mr. Prime Minister, to congratulate you upon your conciliatory approach to this very important problem. I should like also to request the premier of the largest province in Canada to reconsider his request for delayed consideration as his last word, but rather to approach the matter in the conciliatory way in which the Prime Minister has approached it. This method of approach has been supported by the premier of Quebec, the premier of Nova Scotia and the premier of New Brunswick.

At this moment I find myself at a loss to know how to proceed. I prepared a statement which is somewhat more detailed than that which has been given by other premiers, and it will take a much longer time to deliver than they have taken. I do not know whether it would be wise to go into this detail at this time; perhaps it should be presented in the committee meetings which will be held later. I could go on to give a general outline of our approach to the question, but if we are to adjourn shortly perhaps we could do so now, come back after lunch and then proceed with the discussion. I should like your suggestion, Mr. Prime Minister, as to which method you would prefer.

Right Hon. MR. MACKENZIE KING: I think if you will proceed to say just what you had intended to say, it can be understood that if you have not concluded by, say a quarter to one, we could come back again at half past two and continue. Is that agreeable?

Hon. MR. BRACKEN: Like our predecessors three-quarters of a century ago, we meet here to-day in a time of great national crisis. In some respects ours is a much more critical time than that of 1864-67. The Fathers of Confederation faced a financial crisis as we do, but we, in addition, find ourselves in the midst of a world-wide and devastating war—a war which threatens our very existence as a political and economic state.

The decisions which we must make during these days of conference will, therefore, be no less important than theirs. Indeed, our decisions in the crisis of the present war, may well have even more vital consequences than did theirs. For more than seventy years the eyes of the nation have been fixed upon the historic conference of 1864; from now on they will be fixed no less critically upon our decisions at this time. I am sure it is the determination of each of us that we shall be worthy of the responsibilities and opportunities that have fallen upon us; worthy also of our predecessors, who, in those historic days, met together, as we do now, to compose their respective differences and to lay plans for a stronger and more united country.

It is fortunate for us that the wisdom of the Fathers of Confederation makes our task a much easier one than theirs. They had to envisage the needs of a federal state which did not then exist; and they had to conceive and implement the legislation under which those needs could be met. We, now, on the basis of seventy years' experience, have only to adjust their plans

[Mr. McNair.]



to the conditions of to-day. It is a remarkable tribute to the statesmen of that earlier time—statesmen whose spirits surround us as we gather here on this occasion—that after seventy-three years of vast social and economic development, the number of adjustments which now need to be made in their great achievement are so few.

It is a striking indication of their foresight that in this, the first comprehensive review of their work since confederation, the major changes that are recommended are not in fundamental principles, but rather in the application of those principles to the changed conditions of to-day.

#### THE REPORT A THOROUGH AND EXHAUSTIVE ANALYSIS OF DOMINION-PROVINCIAL RELATIONS

The inquiry carried out by the Sirois commission is the first complete and unrestricted investigation into the political and economic aspects of Canadian federation that has ever been held since the nation was formed. Any previous royal commissions were required to deal with problems limited to particular provinces or regions. But this commission was required by its terms of reference to make a very wide inquiry. It has done this in a most thorough manner. In the judgment of many competent authorities, it is one of the most intensive and complete public inquiries ever undertaken in the British empire on the workings of a federal state. Canadians now, and in days to come, may differ as to the wisdom or efficacy of the specific recommendations of the commissioners; but the careful and exhaustive research on which the recommendations were based will stand to-morrow, as it stands to-day, a bench-mark to which we shall always return.

We in Manitoba respect this report because it comes from men whose ability and integrity are generally admitted—men who have had the advantage of the fullest possible facilities for reaching sound conclusions—facilities that have never before in Canadian history been provided to those charged with similar responsibilities. To the men responsible for this outstanding contribution to our national life, I wish on behalf of the people and the government of Manitoba to convey our most sincere congratulations and thanks.

#### MAJOR RECOMMENDATIONS OF THE COMMISSION

What are the major recommendations of the commission's Plan No. 1? They are as follows:

1. The transfer to the dominion government of a wholly modern responsibility—unemployment relief.

This function did not come into existence until the 1920's. It was even then never specially assigned to the provinces, and it is inconceivable that it would have been so assigned had it been a major function of government in 1867.

2. A change in the method of arriving at dominion financial assistance to the provinces.

In 1867 this assistance took the form of a dominion subsidy based on population, and designed to meet the needs of the provinces. In 1941 it is proposed that dominion assistance shall be in the form of a national adjustment grant. This grant shall be based on a formula other than population, but it shall be like the dominion subsidy—designed to meet the fiscal needs of the provinces. This assistance is to be calculated in such a way that it will do precisely what the Fathers of Confederation intended the old subsidies to do, namely, provide adequately for the fiscal needs of the federating provinces.

3. The transfer to the dominion government of the sole right to levy income tax, inheritance tax and corporation taxes.

In 1867 customs and excise were the chief revenues of the provinces. These revenues were transferred from the provinces to the dominion and became the main taxes levied by it at that time. The taxes now proposed to be transferred to the dominion were not levied by any government at the time of confederation. Under modern conditions, however, they are universally recognized as the main instruments of taxation of a modern federal state.

4. The assumption by the dominion of the debts of the provinces.

This was done in 1867, when the provinces gave up their revenues from customs and excise. The commission recommends that it be done again now, and that the provinces now, as then, relinquish to the dominion certain of their present sources of revenue.

It is especially noteworthy, and a proof of the foresight of the Fathers of Confederation that, as I have already indicated, the Sirois commission has not in its Plan I recommended the transfer to federal jurisdiction of a single major function which the provinces have exercised since confederation.

#### IMPLEMENTATION URGED ON TWO GROUNDS

The government of Manitoba urges the implementation of this report on two main grounds—as a peace-time necessity, and as one of the most important steps that we can take to strengthen the nation's war effort.

As to our war effort, there is not a country in the world that has a greater stake in victory than has Canada, not one that will lose more in the way of markets in the event of defeat. Nothing less than a maximum contribution by us will insure victory, and a maximum contribution is not possible under the outworn fiscal system we have to-day. In our judgment, that system would have had to be discarded, even for normal peace-time conditions. But now the most devastating war in history is upon us. For it, and for post-war conditions, the need for modernizing our system of public finance is more imperative than ever. Therefore, the only realistic question before us to-day is: Can we carry on effectively in this war and after the war is over with the now obsolete governmental equipment of seventy years ago? For reasons I shall present, it seems to us clear that we cannot.

The conditions of some of our export industries was difficult enough before the war. It is more difficult now. It will be still more difficult in the post-war period. If the system of international trade breaks down any further our domestic problems as well as the condition of our export industries will become desperate, and the Canadian economy, as we know it to-day, will disintegrate.

In this struggle for our economic and political survival we are permitting the youth of our land to place their lives in jeopardy.

We are also permitting unusual burdens and regulations to be placed upon the economic and financial resources of this country. Our war taxes are already high, and they will be higher still. When we demand or permit these sacrifices on the part of our fellowmen, we here must prove ourselves worthy of the heavy responsibility that falls upon public men in times of great emergency.

As a solution of the problems now before us, what has been recommended is easy to understand; it comes from a competent authority; it represents no very great change in the principles of our constitution. When there are such compelling reasons for carrying this report into effect, when the beneficial consequences of making it effective are so generally recognized; and when the consequences of inaction will be so costly to national effectiveness now, and national unity later on, it seems to me that we who meet here to-day face a tremendous responsibility if we fail to carry out at least the substance of the commission's recommendations.

[Mr. Bracken.]



## IMPLEMENTATION OF SUBSTANCE OF REPORT ESSENTIAL TO NATIONAL UNITY

It is the view of those for whom I speak that at this stage in the nation's affairs there are compelling reasons why all parts of the dominion must stand united, not in respect to our external policies alone, but in our domestic policies as well. If we implement this report, we believe that we shall cement the unity of this nation. Such an opportunity has never been presented to any group of men since confederation was formed. If we fail to implement it, in whole or in substance, we shall, in our judgment, be encouraging a drift toward disunity—a drift toward balkanization of the nine provinces and five economic areas of this dominion.

The Fathers of Confederation in 1867 built not only a political nation; they laid the foundation of an economic unit as well, and during the last seventy years there has been built on that foundation an economic structure which is not only interprovincial but also interdependent. In whatever province they may live, Canadians cannot afford at any time, and certainly not at this juncture in world affairs, to allow the political and economic structure to disintegrate.

Economically, confederation was designed to achieve a single national economy, as distinguished from a number of provincial economies; and powerful instruments of federal policy—land settlement, railroad transportation and federal tariffs—all were directed toward the accomplishment of that end. Over a period of fifty years the building of the Canadian economy has progressed, until in recent decades the economic aim of unifying the Canadian provinces has been achieved.

As a result there is hardly a person anywhere in Canada whose economic wellbeing is not affected by the economic vicissitudes of people elsewhere in Canada. The fruitgrowers of British Columbia, Ontario and Nova Scotia, the workers in the factories of the central provinces, the clerks in offices in all commercial centres, the farmers on the plains and elsewhere in Canada, the lumbermen and fishermen on the Pacific and Atlantic coasts, and the miners of the north—each and all are acutely aware of the fluctuations in the fortunes of people in other areas.

The employees of great industrial and commercial enterprises, and the railways and financial institutions, derive their livelihood from services performed in every corner of the nation. This interdependence of groups and areas did not prevail in 1867. But now the interdependence of regions, occupations and industries so permeates our economic life that the welfare of one cannot but be vitally affected by the fortunes of another. This interdependence is now the essence of the Canadian economy, thus the successful working of this Canadian economy will be seriously jeopardized if we do not maintain the maximum political unity.

This is the one central and compelling reason why the federal authority must be given adequate powers to implement national policies, which will be consistent with the fact of a single national economy, as distinguished from several provincial economies. We therefore subscribe wholeheartedly to the statement of the commission that in our federal system,—

—national unity must be based on provincial autonomy, and provincial autonomy cannot be assured unless a strong feeling of national unity exists throughout Canada.

And yet, in spite of the national character of our economy, the national income is very unevenly distributed as between classes and regions. Moreover, as the economy assumed its national character, the various regions not only became more interdependent, but some of them became more highly specialized, and consequently, more vulnerable to external influences over which they had no control. Certain of these regions, with widely fluctuating incomes, were also the chief sufferers in the depression of the 1930's. The stresses and strains in the

economy, the vulnerability of certain areas, and the inadequacy of federal powers to influence the size and distribution of the national income became all too evident. Provinces and municipalities were forced to assume crushing obligations out of inadequate and shrinking revenues, for services incorrectly treated as local, but which were undoubtedly national in character.

Waste and disruption on a large scale in the general economy resulted. The federal authority found itself unable properly to coordinate fiscal, monetary and tariff policies to meet the situation because the traditional view as to the division of jurisdiction allowed it to disregard its proper responsibilities. It is not too much to say that during the 30's the transcontinental economy was on the verge of disintegration. It is in this situation that we find the roots of disunity in certain parts of the Canadian federation to-day. Disharmony and friction between provinces and dominion, and between province and province, has resulted; a tendency that, if not checked, will in the end seriously weaken, if it does not destroy, the nation our fathers built. In the words of the report itself:—

These conflicts . . . have become a luxury which Canada cannot afford, and the sterility of policy which conflict is apt to engender may be an even greater evil than conflict itself.

We in Manitoba, like all of you from the other provinces, want a united Canada. We all believe that the preservation of the Canadian nation and Canadian economy is an objective worth striving for. We in Manitoba believe that the implementation of this report, in substance at least, will go far towards accomplishing that objective. If the recommendations of the report, or alternative constructive measures, are to be denied, I greatly fear that in that denial there will be laid the basis for troubles of a political and economic character which will shake the very foundation of the confederation our forefathers planned with such care and hope.

#### IMPLEMENTATION OF REPORT ENHANCES PROVINCIAL AUTONOMY

With respect to provincial autonomy let me say that the Manitoba government is not less jealous of its rights than is the government of any other province. If the autonomy of Manitoba—using the word autonomy in its practical and substantial sense—were to be seriously or adversely affected by the implementation of the Sirois report we would be opposed to that implementation. But in our judgment the autonomy of Manitoba will be increased rather than diminished by implementation. We think, moreover, that this is true of most of the other provinces as well.

Under the British North America Act, Manitoba was given, like the other provinces of Canada, the constitutional right to discharge certain governmental functions, both administrative and legislative. To provide the province with the revenues with which to pay the cost of discharging these functions the province was empowered to impose direct taxation within the province.

In the decade between 1911 and 1921 certain of the functions assigned to the provinces became extremely expensive. The provinces were still able to finance them without too great difficulty, until there was imposed upon the provincial tax base a new and burdensome function in the form of unemployment relief. This burden was one which the provincial tax base was never intended to bear. The effect of this was, to use the language of the report itself, that—

the burden of relief has seriously strained the credit and resources of at least eight of the nine provinces, and it would appear doubtful whether they can carry indefinitely even their present share of relief burdens.

[Mr. Bracken.]



And again:

Nothing in the history of Canadian government has contributed more to the breakdown of our system of public finance or has been productive of greater waste in the economy than the attempt to hold local government primarily responsible for unemployment, as well as other, relief.

It is axiomatic that provincial autonomy in the practical and substantial sense means not only the constitutional power to discharge provincial government functions but also the financial capacity to discharge them. If the people and the government of a province are desirous of following a certain policy which is within their legal powers as determined by the British North America Act, but are prevented from doing so by lack of finances, arising through no fault of their own, the fact that their legal autonomy is unimpaired is of little consolation to them. Yet that is the position in which Manitoba, and we think possibly some of the other provinces, found themselves when in the early 1930's, as a result of world wide economic collapse, unemployment relief emerged as a governmental problem and came to be regarded as the responsibility of municipalities and provinces. We still had our unimpaired autonomy in its legal sense, but there were insufficient revenues to exercise this autonomy and to pay also the new costs of relief. The possession of legal powers, which we could not exercise for lack of financial means, proved in practice to be of little value. In order to exercise that legal autonomy at a time when unemployment relief costs had wrecked our budget, in order to do the things we had the right to do and which we wanted to do and at the same time feed our unemployed and service our debt, we had to make certain choices. We had to choose between three things: having a certain standard of public services, caring for people on relief, and meeting our debt charges. The result of these choices was what might have been expected. By reason of the heavy costs of unemployment relief having been imposed upon us, when the Fathers of Confederation had not provided adequate sources of revenue to support a burden of this magnitude, we were not able to maintain an average Canadian standard of social and educational services, and at the same time pay these relief costs and service our debt.

Having had ten years of this sort of theoretical autonomy, under which we were compelled to get financial assistance from Ottawa in order to carry on, we have lost a great deal of our enthusiasm for this type of autonomy. We prefer to have autonomy in the practical and substantial sense of having not only the legal power to do a thing, but also the financial means with which to do it.

In our judgment, with two more or less debatable exceptions, the commission's Plan No. 1 will not transfer to the dominion jurisdiction a single function which the provinces have exercised since confederation.

The first exception is unemployment relief, which is not in its nature a provincial function, and which in our judgment should never have been considered as such. It is the imposition of this burden upon the provinces which, more than any other single factor, has worked such havoc on the provincial finances of some of them. I am sure no province would choose to cling to the responsibility for unemployment relief in order to confirm its autonomy.

The second exception is the right to impose the income tax, the inheritance tax and corporation taxes. No doubt it could be argued that the right to impose these taxes is a provincial function and a part of provincial autonomy. But provincial governments do not tax for the mere sake of taxing; they tax in order to get the revenue with which to pay the cost of discharging provincial functions of government. If however, in lieu of these taxes the provinces are relieved of certain costly responsibilities and at the same time are given an

adequate alternative source of revenue—one which is not given or withheld at the will of the federal government, but is established by law in accordance with a certain formula—then the alleged loss of autonomy arising from the transfer of these taxes is but a technical and not a real loss.

As far as Manitoba is concerned, we prefer having an adequate national adjustment grant, determined by an independent body according to an established formula, rather than to be forced, as we have been during the past decade, to be suppliants compelled to appeal for financial help to a federal government which has the power either to grant or withhold that help. We prefer the certainty and justice of the national adjustment grant as a method of finance. We are convinced our real autonomy will thus be enhanced rather than lessened by such a change in policy.

#### APPROVAL OF PROVINCIAL BORROWINGS

Regarding the necessity for obtaining approval of the National Finance Commission to such provincial borrowings as are made with the guarantee of Canada, it can scarcely be expected that Canada will have its credit pledged to a province without having some check made as to the merit of the project for which the money was being borrowed and surely it is preferable from the standpoint of the province if a check is to be made that it should be made by an independent body such as the National Finance Commission. Manitoba does not think it unreasonable, if it wanted to borrow money on the credit of the dominion, that it should be expected first to obtain the approval of such National Finance Commission. We feel satisfied that we shall have no difficulty in obtaining the approval of such a body in all cases where our application merits such approval. If a case comes up in which such approval is withheld, that will not prevent us if we think the object is a worthy one from borrowing upon our own credit. It has been suggested that such borrowing upon provincial credit alone will be impossible if the commission's recommendations are made effective. We do not agree. Any province which can borrow now could still borrow if the commission's recommendations were in force. The success of such borrowing in either case depends upon the credit of the province which is attempting to borrow. For example, with their resources we do not think that either Ontario or Quebec will have any difficulty in borrowing if this report is implemented; some other provinces might have; but is there not a question as to whether these latter could borrow satisfactorily even if the report is not implemented? If they could not, then they are certainly no worse off after implementation because then they can borrow in proper cases upon the credit of Canada.

The fact is, and the report makes it clear, that in the matter of future borrowing, the provinces are to be left in exactly the same position in which they now are. Indeed, they can continue to borrow upon their own credit. In addition, they are given a new and valuable right, exercisable wholly at their own option, of borrowing upon the credit of Canada.

We suggest that the clear gain of the right to exercise such a valuable privilege at the discretion of the province is a distinct enhancement of practical provincial autonomy.

The commission has expressed the thought that some of the recommendations made in this report may require amendments to the British North America Act for their implementation.

The commission, however, refrained from dealing with the question of how amendments to the act should be brought about in the belief that once there was a general will to seek amendments, the method to be followed could be effectively dealt with by others.

[Mr. Bracken.]



Speaking for the province of Manitoba, I may say we shall be able to give any cooperation desired in formulating such a method as will be satisfactory to that province. I may add, however, that whatever method is adopted adequate safeguards should be provided of the existing rights of racial and religious minorities.

Manitoba's case for adjustment was based on the needs of peace-time conditions; the war has accentuated that need. If the war had provided an adequate stimulus to farm and related businesses in western Canada it might have been argued with some validity that this expansion would provide a temporary solution for such of our chronic ills as arise from a maladjustment of dominion-provincial relations.

But what is the situation facing agriculture? In the west we harvested last year, one of the largest wheat crops in our history. When it is all sold it will have brought to the farmers a little more than half as much as each of several smaller crops before the depression, and not until the end of next July will farmers have received payment for the last of it. That crop brought the producers a little over fifty cents per bushel on the farm. During the last war, such a crop would have moved readily overseas and farmers would have received in some years three or four times the present market price per bushel. Even in the post-war period before the depression the farm price paid was more than twice the present price. It is now suggested in certain quarters that only a portion of our next year's crop be allowed to find a market through the ordinary channels.

The chief reason for these low prices for wheat is the huge surpluses piled up chiefly before the war, but partly also because of the war. There is in our elevators and on our farms enough wheat to fill the import requirements of Britain for more than three years. The new crop will shortly be planted. It is, of course some consolation to the nation to know that adequate reserves of wheat in western Canada are a great assurance to a beleaguered Britain and that this surplus may be the means of saving western Europe from famine or revolution when the war is over. But for the time being these surpluses present to the government and to producers alike serious problems of storage, finance, and low prices, and the current low prices carry with them the seeds of financial distress and bankruptcy for thousands of farmers.

In other parts of Canada farmers have increased their production, and can still further increase it if necessary. They have increased, for example, the production of hogs. They are told that there is a limit to the outlets for bacon. As you know, the price of bacon was fixed recently; it has had to be fixed at a lower price than before. Butter prices have also been pegged—pegged at the top, as the farmers point out, but not pegged at the bottom. With such limitations upon farm prices—many of which are already parity—agriculture continues to face difficult times.

Since the war started, there has been a worsening of the farmer's market condition for certain of his major commodities, with some improvement and limited possibilities for certain other products. Disparities between the rising cost of goods the farmer buys and the fixed prices for certain of the products he sells are perpetuating a most difficult situation and giving rise to protest and unrest, the causes for which in war time at least we should by all means seek to alleviate or avoid.

As for post-war conditions, it is entirely possible that unless international trade is reestablished, the problem of gaining markets for agricultural products or of adjusting agriculture to a much restricted market will be much more serious than we have ever contemplated in the past. I am quite sure that everyone within the hearing of my voice appreciates the fact that out there between the head of the lakes and the Rocky mountains, within our life-

time there has been developed an equipment which normally produces in Canada three or four or more times the needs of this nation for wheat, and for two-thirds or three-quarters of that production we must find markets outside of the boundaries of this country. Even before the war some of those markets were lost, and since the war more of them have been lost. And if by any unkind fate we should lose this war I leave you to judge the kind of economic problem we will have in Canada, particularly western Canada.

If we lose this war our export markets will be gone. Let there be no mistake about that. We, therefore, face a double challenge in this country: the first is to organize our economic forces in such a way as to make the maximum contribution to winning the war. As related to agriculture it means providing reasonable prices and preventing unreasonable costs. The second challenge facing us is after winning this war we shall see to it that our national trade and tariff policies are such as will make it possible to regain the markets we have lost. In the meantime, while this is not a major argument in favour of the implementation of this report, let me say in our judgment while much else needs to be done for agriculture, the implementation of the Commission's Plan I will at least assist in keeping down the farmers' taxes.

Mr. Prime Minister, I was going to deal with the question of unemployment and the consequences of transferring the income tax, the corporation tax and succession duties to the Federal Government. I wanted to do that at a little length and with a little detail; and I am afraid if I do it now I will keep the conference longer than you meant to sit. I can either continue until you ring the bell or I can stop and start in here later on.

Right Hon. Mr. MACKENZIE KING: It is very close to a quarter to one. I think possibly if we were to adjourn at this point and begin, after adjournment, at the part Hon. Mr. Bracken has just mentioned, it would meet the views of everyone. I take it it is agreeable to all present that we should adjourn now. I had suggested adjourning to half-past two, but I think we had better make it three o'clock.

The conference now stands adjourned until 3 o'clock.

The conference adjourned at 12.45 p.m.

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### AFTERNOON SESSION

The conference resumed at 3.10 p.m.

Hon. Mr. BRACKEN: Mr. Prime Minister and gentlemen, when the conference adjourned at 12.45 I was about to touch upon the part of my address dealing with the question of taxation. I had touched upon the major recommendations of the report. On behalf of the Manitoba delegation I had urged implementation on two grounds, peace-time needs and war-time necessities, and I urged it on the ground of national unity. I had touched on the question of provincial autonomy on the question of procedure in case of amendment to the British North America Act.

I come now to a phase of the subject which I am afraid will not be as easy for you to follow as what I have said. What I have said may not be interesting to you; if it is not I am sure what is to follow will be even less interesting.

[Mr. Bracken.]



I propose to try to show that we have an ill-balanced tax structure, and that if that tax structure is not strengthened our war effort will be weakened. By implementing the substance of this report we can correct that ill condition of our tax structure.

#### IMPLICATIONS AND CONSEQUENCES OF TRANSFERRING THE INCOME TAX, CORPORATION TAXES AND SUCCESSION DUTIES TO THE FEDERAL GOVERNMENT

The main recommendation of the commission, Plan No. 1, is that the provinces should cease to use the following forms of taxation: personal income taxes, taxes on corporations or corporate income which would not be imposed on individuals or partnerships; and succession duties.

In approaching a consideration of this recommendation let me first refer briefly to the provisions of the British North America Act with regard to taxation.

#### PROVINCIAL REVENUE SOURCES

Under that act the provinces were allowed, as sources of revenue, the dominion government subsidy, the proceeds of their natural resources, and the right to impose direct taxation. It was thought that the territorial revenue from the natural resources and the dominion subsidy would together be adequate, if the provincial functions were discharged with simplicity and economy, and that these two revenues would require to be supplemented by direct taxation only under unusual circumstances. This view was explicitly stated by the Hon. Alexander T. Galt on November 23, 1864, in the following words:

If they increased their expenses in proportion to the growth of population they would be obliged to resort to direct taxation; and he thought they might trust the people themselves to keep a sharp watch over the local governments lest they should resort to direct taxation. He thought no surer check could be put upon them than thus fixing the grants they were respectively to receive.

I propose now to try to show that the effect of limiting the provinces to direct and mainly progressive taxation has caused the dominion to rely principally upon indirect and mainly regressive taxation.

#### EFFECT OF LIMITING PROVINCES TO DIRECT AND MAINLY PROGRESSIVE TAXATION HAS BEEN TO LIMIT THE DOMINION TO DIRECT AND MAINLY REGRESSIVE TAXATION

Under the British North America Act also, the dominion was given the right to raise money by all or any mode or system of taxation. But because the right of the province to tax was limited to direct taxation, the dominion, although it had the right to impose all kinds, including direct taxation, has always recognized that it should not invade the restricted provincial field of direct taxation if it could avoid doing so. The dominion has, therefore, in large measure, confined itself to indirect taxes and has invaded the provincial field only when it was necessary.

Thus, when introducing the income tax measure in the House of Commons in 1917, Sir Thomas White, Minister of Finance, made the following statement:

The dominion government, under the provisions of the British North America Act is empowered to raise revenue by any mode or form of taxation, whether direct or indirect. On the contrary, the provinces, and by consequence, the municipalities which derive their taxation powers from the provinces, are confined in raising of their revenues to measures of direct taxation. For this reason since the outbreak of the war, I have hesitated to bring down a measure of federal income taxation. As I have stated, the provinces and the municipalities are confined to direct taxation, and I have not regarded it as expedient, except in cases of manifest public necessity, such as I believe exists at the present time, that the dominion should invade the field to which the provinces are solely confined for the raising of their revenue.

It is in this same spirit that the dominion has refrained from imposing succession duties and that the corporation taxes imposed by the dominion have been kept less onerous than they would have been had not the provinces already levied these taxes. But the duplication of taxing authority has had an objectionable feature. The dominion treasury, when it invades the field of direct taxation, finds it difficult to formulate a tax policy which will fit equitably into the widely varying tax structures of the different provinces. Consequently any given invasion of the direct taxation field of the provinces by the dominion has widely different results in the different provinces according to the degree to which those provinces themselves have already utilized these taxes for their own purposes.

I propose now to try to show that the ill-balanced tax structure arises from substantial reliance of the dominion government on indirect taxation.

#### ILL-BALANCED TAX STRUCTURE ARISING FROM SUBSTANTIAL RELIANCE OF DOMINION GOVERNMENT ON INDIRECT TAXATION

Direct taxation (under the conditions of 1867) was left to the provinces because it was thought that the unpopularity of direct taxes would act as a deterrent to provincial extravagance. Yet this indirect taxation, under modern conditions, is precisely the kind of taxation from which should be derived most of the revenues of the dominion government.

Of the two types of taxation, "direct" taxes are those such as are levied directly on incomes or estates, and "indirect" taxes are those levied on goods, or services, or transactions. The income tax is the most obvious example of the first; customs duties and sales taxes illustrate the second. In seeking to increase the yield of taxes—perhaps Mr. Ilsley will not agree with me in this—a dominion finance minister usually imposes fresh burdens through both channels; for example, he may increase both the income tax and the duty on woollen clothing in the same budget. But obviously, the effect of these is different: the increase in income tax is paid by people who, generally speaking, can afford it, while the increase in customs on woollen goods is paid by everyone who purchases woollen clothing regardless of whether he can afford to pay the tax or not. That is, direct taxes are imposed on the basis of known ability to pay; indirect taxes, on the other hand, fall on the poor as well as on the wealthy. The income tax can be made heavier and heavier as incomes are larger, and is, therefore, a progressive tax; whereas the duty paid on woollen cloth is proportionately more to the man whose income is small than to the man whose income is large and is, therefore, a regressive tax.

I am going to try to show now that this ill-balanced tax structure during the depression retarded recovery.

#### ILL-BALANCED TAX STRUCTURE DURING DEPRESSION RETARDED RECOVERY

The consequences of this degree of dependence of federal governments on revenues derived from indirect taxes can be clearly shown by an examination of Canadian government finance during the depression of the 1930's, and particularly, by an examination of the manner in which the federal government attempted to meet the problems of that depression.

In 1930, some thirty-five per cent of the revenues of all governments—dominion, provincial and municipal—came from certain taxes whose yield was particularly vulnerable in depression.

These taxes were: customs duties, yielding about twenty per cent, cigarettes and liquor providing over ten per cent, and amusement taxes, public domain, sales of commodities and miscellaneous, yielding five per cent, of the total.

One-third of the revenues of all governments came from municipal taxes on real estate.

[Mr. Bracken.]



Slightly over one-quarter came from corporation taxes, gas taxes, sales taxes, licences and fees.

Thus, at the outset of the depression, not more than seven per cent of all government income was derived from progressive taxes on personal income and inheritances. As above stated, a large part of the remainder was derived from regressive taxes and, therefore, fell heavily on the lower income groups.

For the country at large this was an ill-balanced tax structure. Even in times of prosperity too large a proportion of the revenue was obtained from indirect taxes. To increase this proportion in times of depression was but to make a bad situation worse. Yet in 1931, that is precisely what the dominion government felt itself compelled to do. Being unwilling to invade the field of direct taxation, the federal government attempted to meet its needs for new revenues in the following manner. I am quoting from the Sirois report (Book I, p. 176):

In 1931 . . . in its efforts to raise additional income the dominion resorted mainly to increases in consumption and corporation taxes. The progressive tax field was either left to the provinces, as in the case of the succession duties, or was not aggressively utilized. The sales tax was successively advanced from one per cent to eight per cent. Corporation income taxes, excise duties on liquors and tobacco and revenue customs duties on a number of items of general consumption were sharply raised. Personal income tax rates were increased and exemptions lowered, but not sufficiently to take care of more than a small part of the total requirements. Between 1930 and 1937 total dominion revenues rose from \$314 million to \$464 million; almost three-fourths of this increase was produced by the sales tax. . . .

The joint occupation by the dominion and the provinces of the progressive tax field (except inheritance taxes) and the corporation tax field led in the one case to inadequate use and in the other to wasteful duplication. As a consequence far too great a proportion of the load of government expenditure was carried by regressive consumption taxes, by real estate taxes and by economically harmful taxes on corporations and business.

In other words, while the Dominion income tax—a progressive tax—which in 1930 produced seven percent of total federal revenue, was increased to produce eleven percent, the Dominion sales tax—a regressive tax—which in 1930 provided six percent of total federal revenue, was increased to provide thirty percent of that revenue.

In 1937, as compared with 1930, the income taxes of the provinces and dominion together were increased by \$33,000,000—or slightly more than one hundred percent; but the sales tax was increased by \$124,000,000—or over six hundred percent. This latter increase of \$124,000,000 in sales taxes on costs and consumption bore much more heavily upon the poor than upon the rich, while the increase of only \$33,000,000 in income taxes—which are more equitably distributed in accordance with ability to pay—bore, as in sound taxation it should, more heavily upon the rich than upon the poor.

To deal more justly and effectively with the depression it would have been much better to have increased the income tax more than the sales tax, rather than the opposite, as was done. By reason of the great preponderance of taxes upon consumption and costs of production which bore with special severity upon the low income groups, the tax structure was inequitable, even prior to the slump. This inequity was intensified by the course and circumstances of the depression. Yet instead of attempting to remove these inequities, the policy followed only tended to make them worse than ever. And these inequities are still in our tax structure at a time when we are engaged in a war which will create for us financial problems, surpassing in gravity and magnitude, any that we have ever known.

#### UN SOUNDNESS OF TAX STRUCTURE INHERENT IN CONSTITUTION

The significant fact for this conference is that these inequities are inherent in the present division of taxing powers under the Canadian constitution. As long as the provinces have resort only to direct taxation, and their revenues are

supplemented by the dominion only through subsidies calculated on the obsolete basis of population—just so long the dominion cannot impose the taxation which it should on incomes and inheritances without seriously reducing the important sources of revenue of many provinces, including certainly Manitoba. We suggest that as long as the provinces retain the field of direct taxation, our national tax structure will continue to present this irrational aspect.

ILL-BALANCED TAX STRUCTURE BEARS HEAVILY UPON LOW INCOME CONSUMERS AND UNPROTECTED PRODUCERS

Let me touch on this for just a moment. As long as the dominion has to raise the bulk of its revenues by indirect taxes upon consumption which bear mose heavily upon the low income groups, its taxes will continue to inflict the grave injustice which has been inflicted during the depression upon the poor, upon the consumer, and upon the farmer and other producers who are not protected by the tariff. The poorer a man, the larger his family, the less protected his market—the more heavily this tax structure bears upon him, regardless of the province in which he lives.

It does not help such a man that he lives in a wealthy province in which income tax rates are low. Indeed, it is because the provinces have the right to impose income and inheritance taxes and because the dominion respects that right by imposing as little income tax as possible and no inheritance tax, that such a poor man, or farmer, living in a wealthy province has to pay, indirectly though it be, so much sales taxes, customs taxes and other indirect taxes to the dominion government. To such a man, a low rate of income tax is of little significance, because the tax seldom reaches him; but the high indirect taxes imposed by the present taxation scheme does reach him. And yet there can be no relief under the present system for such a person, by provincial measures, because the provinces do not control the taxes which are unduly burdening him. Let us then, as provinces, clearly understand that until the dominion is given the sole power to impose these direct and progressive taxes, under some such arrangement as that outlined in Plan 1 of the Sirois report, the dominion cannot lighten the burden on people of low incomes without invading the provincial fields for alternative revenues to the point of serious embarrassment to provincial finances.

HEAVY INDIRECT TAXES INCREASE COST OF LIVING

I scarcely need say to an audience of this kind that heavy indirect taxes of this character increase the cost of living. These indirect taxes of the dominion have been built into the cost of living in a manner which leaves the low-income citizen, who is quite aware that he pays little or none of the direct taxes to which his better-off fellow citizens are subjected, still confused as to why it is that his wages never seem to keep pace with his necessary expenditures. Why, therefore, one may ask, has the poor man, the unprotected producer and the consumer been so complacent in respect of the wholly unfair tax burden which he has had to bear during the depression? Mainly, I suggest, because this burden is now largely hidden in the costs of the things he buys, and is not, therefore, the subject of his critical examination as direct taxes are. Instead of correctly attributing his difficulty to the fiscal practices which have developed under the now obsolete division of taxing powers between the dominion and the provinces, as established by the Canadian constitution, he blames the manufacturer and the merchant for the high prices of the goods he buys and to this extent unjustly attributes to them the taking of unfair profits.

[Mr. Bracken.]



ILL-BALANCED TAX STRUCTURE LEAVES RELATIVELY HEAVIER BURDEN  
UPON LOW INCOME GROUPS

In some provinces where there are comparatively large numbers of wealthy people, provincial income taxes are relatively low. But in the provinces where there are not significant aggregations of wealthy people, the income tax rates tend to be high, yet nevertheless unproductive because there are so few to whom such rates apply.

Thus the wealthy people of certain wealthy provinces have a relative sanctuary from provincial taxation. Until the present war they paid a relatively low dominion income tax. In order that they as federal and provincial taxpayers might have these advantages, the farmer, the worker and all other low income groups in every province paid a large part of the \$112,000,000 in customs duties, \$52,000,000 in excise duties, \$144,000,000 in sales tax; and they helped also to pay approximately \$250,000,000 in real property taxes.

As compared with all these regressive taxes upon consumption and taxes upon real estate, all of which bear with special severity upon the poor, how much was paid in the whole Dominion of Canada—municipally, provincially and federally—by the higher income groups for personal income taxes? Remember, I mentioned \$112,000,000 in customs duties, \$52,000,000 in excise duties, \$144,000,000 in sales tax and \$250,000,000 in real estate. I repeat the question: How much was paid by the higher income groups in personal income tax? Just \$64,000,000. And in succession duties, how much? Just \$35,000,000; \$560,000,000 from regressive and real estate taxes, and only \$99,000,000 from progressive taxes. And this is the type of obsolete fiscal system we shall leave on the Canadian people if we do not implement the report now before us or make some other change which will accomplish the same result.

The Canadian system of taxation would appear to have been based upon the biblical statement: "For he that hath, to him shall be given; and he that hath not, from him shall be taken away even that which he hath."

I need scarcely say to this audience that this dictum had reference to spiritual values and was not an injunction on which to base a rational system of taxation; and I may add that the least we can do here is to see to it that the wrong direction of past taxation policies should be reversed and that those most able should bear a fairer share of the tax burden.

PRESENT TAX STRUCTURE TRANSFERS INCOME FROM RELATIVELY POOR TO  
RELATIVELY RICH

This ill-balanced tax structure transfers income from relatively low income groups to relatively high income groups. The proceeds of these indirect taxes of the federal government go in large measure to pay the interest on the national debt—a debt held in many cases by people who have borne a relatively lower share of dominion taxation because of the minor extent to which the dominion government prior to the war depended for its revenue upon direct taxation.

Thus there is here a transfer of income from the relatively poor to the relatively rich. We can never build up a sound system of public finance in Canada by taxing the low income groups for the benefit of the high income groups. Yet that has been the result of the manner in which the revenues and functions of government have been divided between the dominion and the provinces by the interpretations given in practice to the taxation sections of the Canadian constitution.

It is thus apparent that taxation levied according to ability to pay should furnish a larger proportion of the total revenues of all governments in Canada. At long last a method is recommended in the Sirois report whereby this can be accomplished without embarrassing any province.

EFFECT OF PRESENT TAX STRUCTURE ON PROVINCIAL TREASURIES AS COMPARED WITH  
PROVINCIAL TAXPAYERS

It would be wholly unrealistic were we to consider whether the report should be implemented solely by reference to its effects upon provincial treasuries. We must always think of three jurisdictions simultaneously acting upon every Canadian citizen. For it is clear that every Canadian citizen is at once a citizen of three taxing jurisdictions, and is also a recipient of services from these three jurisdictions. It may well be that, considering the effects upon him of a single jurisdiction, we could arrive at a very erroneous notion of his true position.

To fully appreciate the significance of the recommendations in this report we must not, therefore, confine our discussions here to the effect of these recommendations upon provincial finances alone. Consequently, we have here stressed one point which we think is of importance in this connection, namely, the regressive effect of present dominion taxation upon low income groups everywhere in Canada. We have pointed out, for example, that even in the so-called wealthy provinces, low-income groups probably lose considerably more by regressive federal taxation than they gain from a relatively low level of provincial taxation. To assess the position of such a low-income citizen of such a wealthy province solely by reference to the burdens of provincial taxation and the services received from his province is to exaggerate the benefits he enjoys by virtue of being a citizen of that province.

I wish to show for a moment that these accumulations of wealth and income in certain provinces are inherent in the Canadian economy.

ACCUMULATIONS OF WEALTH AND INCOME IN CERTAIN PROVINCES IS INHERENT IN  
CANADIAN ECONOMY

That these accumulations of wealth and income in certain areas are no accidental feature of the Canadian economy but are inherent in its very nature is obvious from a study of the report. On page 77 of Book II, the commissioners state:

It is a distinguishing feature of the Canadian economy . . . that a very large proportion of the surplus—and taxable—income of the country is concentrated in a few specially favoured areas.

It is obvious that these accumulations of wealth and income have escaped, until the war, all but a moderate amount of dominion taxation and that the great weight of the burden of dominion finance falls therefore on the lower income groups of Canadians wherever they dwell.

I wish to show that this ill-balanced tax structure, this defect in the Canadian taxation system, is not inherent in our economy. It has resulted from the double jurisdiction over direct taxes under the constitution. The commission has made a recommendation by which this defect can be remedied. It can be remedied by transferring to the dominion the sole right to impose income, inheritance and corporation taxes. If the commission's other recommendations are implemented, the tax structure can be so corrected without endangering in any degree the solvency of provincial and municipal governments in Canada.

I shall try to show that sound war finance to-day compels the implementation of this report. On September 10, 1939, Canada entered the present war. It is impossible to exaggerate the effect of this war upon the issues dealt with in this report. It is only in the light of the war, and the probable developments of the post-war period, that the report can be discussed with any realism. To discuss these issues now only in the light of facts as they existed before the conflict broke out would be wholly academic. It is fortunate, therefore, that

[Mr. Bracken.]



the commission has formulated its plan with emergencies, even war emergencies, in view, as the following reference in the report itself indicates—I quote from page 134 of Book II:

All these advantages of Plan I over Plan II apply with even greater force in the event of national emergency (e.g. war) which would force the dominion to increase taxation in competition with existing provincial taxation—conditions which without changes as recommended in Plan I would make impossible any major taxation reforms.

If, therefore, we attempt to meet the unprecedented financial costs of this war under our present system of public finance, either our war effort will be weaker than it need be, or the dominion, in obtaining its necessary war revenues, will disrupt the whole provincial financial structure in many provinces, if not in most of them.

In view of the fact that it is estimated that we shall require at least forty per cent of the national income of the people of Canada for the purposes of fighting this war, as compared with a figure of only ten per cent for the last war, it is immediately obvious that any reasoning based upon our experience in the earlier struggle can have little application to our situation to-day. This difference in cost to us of the two wars—forty per cent this time and ten per cent last time—is explained by the fact that in the last war a very large part of the war supplies that Canada then provided were foodstuffs, raw materials, shells and wooden ships, much the greater part of which we could supply with existing equipment and trained personnel, whereas in this war the demand upon Canada is for aeroplanes, tanks, artillery and high explosives for which we have to build new plants using complex processes, and train workers in new skills. We have already seen the huge amount of capital that has to be provided merely to erect plants with which even to begin our war work.

As was stated in a recent article "War Finance and the Canadian Economy" by J. J. Deutsch of Queen's University in the November, 1940, issue of the *Canadian Journal of Economics and Political Science*:

... the costs of the war during 1914-1918 hardly rose above ten per cent of the national income. Financial and economic policies which were effective and tolerable then would be entirely inadequate and grossly inequitable if the expenditures should rise to twenty, or perhaps forty per cent of the nation's total income. . . .

The circumstances of 1914-1918 required, in large part, only an intensification and slight adaptation of normal peace-time activity. An effective contribution in the present conflict calls for a re-orientation of industrial effort entailing heavy investment of capital and intensive training of labour.

It is one thing to speed up an existing economy. It is quite another and more difficult thing to build up a new type of manufacturing economy with which to wage a modern war. The latter is our problem to-day.

Lest it be thought that this argument is overstated, let me refer to Geoffrey Crowther, editor of the London *Economist*. In his Oxford pamphlet "War Finance in Great Britain" he indicates that in 1918 the British government spent £2,700 million for all war and other governmental purposes out of a total national income of £5,500 million, or, in other words, about fifty per cent of the national income. In the same booklet he estimates that in this conflict Britain's expenditures for the same purposes will amount to £4,000 million out of a national income of £7,000 million, or nearly sixty per cent of Britain's national income.

It is, therefore, clear from the magnitude of the struggle in which we are now engaged that we must abandon all hope of financing the vast expenditures of this war by indirect taxes upon the costs of production and the costs of doing business and by taxes which fall with particular severity upon persons in poor and moderate circumstances. Not that it will be possible to fight this war without taxes upon persons in every walk of life. But it would be a disaster if our war and post-war tax structure were similar to the one which has prevailed throughout the depression.

This means that we must expect, quite regardless of whether this report be implemented, if we are to have a sound programme of war-time finance, that the federal government will greatly and continuously increase the progressive taxation under the headings of personal and corporation income taxes and succession duties. That being so, it would seem to follow that the receipts which the province can expect to obtain from these same revenues must inevitably decline.

#### DECISION PROVINCES MUST MAKE

The decision which the provinces must make is whether they shall retain their right to impose these direct taxes and get less and less from them, or whether they shall voluntarily relinquish them now for adequate considerations, financial and otherwise.

The only practical question is as to the adequacy of the considerations that the provinces shall get in return for the voluntary relinquishment of these taxes. In our judgment there is no better consideration, from the standpoint of the provinces, than that which the Sirois report has recommended, namely, the assumption by the federal government of the whole burden of unemployment relief and of all provincial debt, and the payment of national adjustment grants where such are necessary.

In connection with the proposed assumption of provincial debt by the dominion it has been suggested that some of the holders of provincial bonds would reap large gratuitous profits from the increased value of the bonds held by them. It is not assumed that this should or would be permitted to occur. The commission foresaw this possibility and made specific suggestions as to the manner in which it could be avoided. Lest the assumption of the debt of the provinces by the dominion should result in gratuitous profits to some holders of provincial bonds the commission suggested that a special capital gains tax or a transfer tax on the first sale would appear appropriate and equitable in such circumstances. While the procedure to be adopted is a matter of federal government policy, we feel sure that the point will be given full and careful consideration and that no unearned profits will be permitted at the expense of the Canadian taxpayer.

#### THE CONSEQUENCES OF NON-IMPLEMENTATION

Just a word about the consequences of non-implementation. Suppose, for whatever reason, we fail in this conference to agree upon the recommended transfer of these taxes from the provincial to the federal jurisdiction, what would be the consequences of such disagreement? In our judgment, Mr. Chairman, they would, among others, be these:

If the vast expenditures of this war must be financed in large measure by taxation—as we have been warned by the Minister of Finance—I suggest that it would be both impolitic and financially unsound for the dominion government to continue to impose a larger proportionate burden of regressive taxes, which bear more heavily upon persons of low and moderate incomes, than it does of progressive taxes which bear more heavily upon the wealthy.

This means that as a vital part of the war effort the dominion government has no choice but to invade the field of direct taxation upon the largest possible scale, upon a scale which is bound to dry up in large measure these sources of revenue for all the provinces. It is bound to do this whether the Sirois report be implemented or not.

If the dominion government takes out a prior, and incidentally a perfectly justifiable claim upon three of the most important provincial revenues, with some of the provinces in Canada just now staggering out of the near-insolvency of the depression it is by no means improbable that provincial default will occur.

[Mr. Bracken.]



Provincial default, particularly if it becomes at all widespread, certainly would have a serious adverse effect upon dominion credit. And this at a time when a sound and unimpaired dominion credit is one of our most powerful weapons of war. A great deal of Canada's own war requirements, as well as those which she is called upon to supply to Great Britain, we shall not be able to make ourselves within the time at our disposal. As we have pointed out before, time is an article for which in war there is no substitute. Unless the war ends in the near future we shall probably have to obtain credits from the United States. The ability to obtain those credits when we need them may conceivably mean the difference between victory and defeat. And the ability to obtain them on a large scale at reasonable rates of interest would save the dominion government in lowered debt charges a sum which in itself might easily equal a large part, if not all, of the net cost of the dominion of implementing the Sirois report.

Thus the provinces are faced with the certainty of losing a great part of their present revenues from income, corporation and inheritance taxes. In our judgment, therefore, the provinces will be most unwise if they do not concur in the recommendation that the dominion should assume their debts, and take over unemployment relief. If we as provinces refuse to do this, and get into financial difficulties, we will have taken upon ourselves the grave responsibility of prejudicing the nation's credit at a time when that credit may mean all the difference between victory and defeat.

Mr. Prime Minister, that is all I had intended to say. But before I take my seat I should like to add one other note of a different character. Three-quarters of a century ago John A. Macdonald and George Brown were familiar names in this part of Canada. I have no doubt that if there is a spiritual world their spirits are not far away from us at this moment. Those two men held vastly different views as to the domestic policies of this part of the world at that time. They compromised those views, and made possible the birth of the Canadian nation.

I was born in the province of Ontario. My father was born here. My grandfather came here as a pioneer from the British Isles, and settled in the New England states. Twenty-three years of my life were spent on the banks of the Rideau river, near where it enters the St. Lawrence. For more than thirty years my work has taken me over much of western Canada where, in the days of Macdonald and Brown, practically nobody lived. To-day about one-quarter of Canada's population is to be found in that area. For nearly nineteen years of that time I have been trying to help administer the affairs of one of the political units of this country.

Candidly, Mr. Prime Minister, I believe that this meeting here to-day is an historic meeting. I believe that what we do here to-day will determine whether in the next few decades we are going to have in the northern part of this continent one strong and united nation, or nine weak, disunited states. If John A. Macdonald and George Brown could compose their differences, then we can compose ours. If Mr. Mackenzie King and Mr. Mitchell Hepburn can compose their differences, then I am sure the rest of us sitting around this table can compose ours. I may say, Mr. Chairman, that I am not without hope that that will be done.

And so as I take my seat I do so with confidence that if we show the same kind of cooperation and the same kind of compromise that made possible the birth of this nation, we too shall have made possible, not the birth of a nation, but the building of a greater, a stronger and a more united nation on the foundation our forefathers laid three-quarters of a century ago.

Right Hon. Mr. MACKENZIE KING: We will now hear from the Premier of British Columbia, the Hon. Mr. Pattullo.

### FOR THE PROVINCE OF BRITISH COLUMBIA

Hon. T. D. PATTULLO (Premier of British Columbia): Mr. Prime Minister and gentlemen, each of us must endeavour to express himself according to the light he sees. I should like very much to compliment the Prime Minister upon the tone of his observations of this morning. They were on the high plane from which he always propounds public issues. On the other hand I must say that I am at complete variance with the policy of his government in respect of the report of the royal commission.

I listened with great interest to the observations of my colleagues from the other provinces, and shall continue to listen with equal interest to the remarks of those who may follow me. But there is this feature that we must recognize, and that is that no matter what the Prime Minister of Canada may have said, no matter what the premiers of the provinces may say or have already said, no matter what I may say or what others may say, nothing can change the report as submitted by the royal commission. And it is upon that basis that my colleagues and myself have given this matter consideration. With your indulgence, Mr. Chairman, I will submit our views.

Mr. Prime Minister, in submitting to the conference, by way of generality, the view of the government of British Columbia with respect to the report of the Royal Commission on Dominion-Provincial Relations, may I comment upon the immense amount of thought and study given by the commission to the problems involved. Whether one agrees or disagrees with their recommendations and conclusions, or their approach thereto, the whole work furnishes a very remarkable compendium of useful information.

### PREFERENTIAL RECOMMENDATION OF COMMISSION

The preferential recommendation of the commission is very succinctly expressed on pages 133 and 134 of Plan I, Book II, and is as follows:—

Plan I concentrates debt management and responsibility in one authority—the one with the widest credit base and the one in control of related powers. Plan I provides for average Canadian standards of education and welfare, and generous developmental expenditures in every province, through national adjustment grants. And perhaps most important of all, Plan I makes possible the coordination of taxation, borrowing (or debt redemption), and expenditure policies throughout the business cycle with monetary and exchange, trade and tariff, industrial and employment policies.

Here is a proposal which changes the whole aspect of dominion-provincial relations.

### EFFECT OF PLAN I

Under Plan I, certain powers now exercisable by the provinces will not only be taken away but such as remain will, in their exercise, be largely influenced by and be subject to central control. Under the mechanics of Plan I, there will be immediate and ever-increasing centralization of authority in the dominion. So far as our province is concerned, we will be in such a position of incapability to move forward, or even to maintain existing standards, as will assuredly lead to grave dissatisfaction and friction. Herein I think the commission erred in its approach to the problem.

### MECHANIZATION TO ESTABLISH GENERAL CANADIAN AVERAGE INADVISABLE

It may be accepted as axiomatic that there are five economic and social units comprising the confederation of the Dominion of Canada. This is [Mr. Bracken.]



recognized by the commission and was recognized by the Canadian Broadcasting Corporation when on Christmas day there were special features for the maritimes, for Quebec, Ontario, the prairie provinces and British Columbia.

Each of these units is distinctive, and there is nothing to be gained and much to be lost in attempting to bring them to a common level. Everyone desires to see Canada strong and united, but this object cannot be achieved by way of a mechanization to establish a general Canadian average. The tendency of the course recommended by the commission would be to lower the general standard of development rather than to raise it. It would be a backward instead of a forward step.

I do not think that we should allow the ineptitudes and indiscretions of the past, if there were such, or fortuitous circumstances or change of conditions beyond our control, to rush us precipitately into an irretrievable course of action. I want to accentuate that this is a course of action which once taken is irretrievable.

British Columbia, in common with the other provinces and the dominion, has had its problems and has attained its present position only after an arduous struggle up the hill of public economy. It does not want to be pushed down either to the bottom or half way, there to turn the treadmill of mediocrity in perpetuity.

#### PROVINCES TO BE CURBED

The issues involved are so important and far-reaching, that as plain blunt men who love our friends, we should speak frankly. The commission appears to have approached the problem upon the assumption that the provinces must be curbed, and checked after curbing, and that the central authority is the medium through which this is to be accomplished. In this process it is proposed that the dominion, which already is in a position to protect its own operations, as well as to exercise a measure of control over provincial operations, through control of credit, shall take over exclusively the most flexible source of revenue, namely, the income tax, also succession duties.

#### PROPOSALS WOULD AGGRAVATE DISHARMONY

Heretofore the provinces have had a measure of independence of action, but the new proposals definitely would checkmate anything of the kind. By independence of action I do not wish to be understood as meaning independence for its own sake, but independence to pursue policies developmental in manner such as are quite certainly not to be appreciated in the same degree by remote agency. Under the new proposals as laid down by the commission we would be so circumscribed that instead of the new hegemony engendering harmony it would only aggravate disharmony.

#### PROVINCIAL DEBTS

Comparatively few people understand the implications of the commission's report. Many seem to think that by the transference of certain provincial obligations from the provincial treasury to the dominion treasury these obligations by some legerdemain will thereby be liquidated. The fact is that these obligations will have to be paid by the people of Canada, whether through the provinces or the dominion, though doubtless they may be refunded upon a more favourable basis by the dominion.

#### UNEMPLOYMENT

In the matter of the unemployment problem, the commission's report recommends the assumption of responsibility for the unemployed employables by the dominion, but with the responsibility for the unemployable to remain a charge upon the provinces.

The proposed dominion unemployment insurance measure will put the dominion in funds to provide for the unemployed employables, but the provinces will still have a dead-weight charge upon them for the unemployables.

Our province has always taken the position that the unemployment problem is primarily the responsibility of the dominion, and still so maintains.

#### MONEY ROOT OF TROUBLE

Money, of course, is at the root of this whole question. While monetary measures should be based upon the productive capacity of our people, the productive capacity of our people can be amplified by wise monetary measures and other considerations.

We are now told that it is necessary immediately to implement the recommendations of the commission successfully in order to prosecute the war. The government of British Columbia disagrees with this view. I am sorry that the winning of the war has been used as an argument to fasten permanently upon the provinces and the Dominion of Canada a change in dominion-provincial relations which I firmly believe will work to the injury and not to the benefit of the dominion and the provinces of which it is composed.

If there had been no commission, war measures would still proceed; and right now without any change in our constitution the dominion can take any action deemed necessary to the winning of the war; and the people are solidly behind the government that every resource which we possess shall be brought into action at the earliest possible moment for the purpose of furthering our war effort.

Let us face this question fairly and squarely just as if there were no war, as was the condition at the time of the appointment of the commission; and not place those who believe that the proposals are of a harmful character under the indictment that they are hindering the war effort of this dominion.

Mr. Prime Minister, may I say that even as I make that observation, the press of this country from one end to the other—I am not finding fault with the press, they are speaking as they see the light—are criticizing those who dare to presume to question the wisdom of this measure.

As a matter of fact, temporary measures are being adopted by the dominion every day. Recently, numerous foreign articles not essential for war purposes have been banned in order to protect the exchange situation. The people of Canada have been advised to economize, and they should economize, and will be compelled to economize more and more, but this does not connote that all business outside of war services should cease. Our war services should be extended and amplified with the utmost speed, but during the process we should keep business and the public services moving consistently therewith, while everyone capable of so doing must contribute more and more financial support as our war effort increases. For everyone immediately to stop buying everything except the barest necessities of life, while many other things which are not essential for war purposes are available, would disrupt our internal economy.

The income tax would meet the law of diminishing returns, for with less business there would be less income with which to pay income tax and eventually there would follow a capital levy. Before we get through, the taxation will probably be equivalent to a capital levy, but we will all have to dig down.

#### BRITISH COLUMBIA ANXIOUS TO ASSIST IN WAR EFFORT

British Columbia is in a category by itself. This is what the commission says:

Although greatly affected by Canadian tariff, railway, and other economic policies, it (British Columbia) has not been absorbed as a completely integral part of the Canadian economic system.

[Mr. Pattullo.]



The commission also makes other observations concerning British Columbia, some of a lugubrious character which overdraw the account. But whatever may be the status of British Columbia in the economy of Canada, or the state of its own internal economy, I can assure this conference that the people of British Columbia are anxious that the resources of our province shall be utilized to the full in the war effort and our government will be glad to confer with the dominion government from time to time to this end.

#### IMMEDIATE IMPLEMENTATION WOULD RETARD WAR EFFORT

The commission further states:

The immediate effect of Plan I on dominion finances would be adverse, since in some degree provincial finances would have improved at the expense of those of the dominion.

Inasmuch as the finances of the dominion, according to the commission, are not immediately to be improved but the reverse, it does not seem logical to suggest that the implementation of this recommendation of the commission is essential to our war effort. Rather does it suggest that during the period of the war the implementation of the plan will be a burden on the dominion's war effort, not alone through the assumption of additional financial obligations but through the time and effort which much necessarily be expended in the setting up of the new organization as proposed by the commission. It would therefore seem the part of wisdom to get on with the war and postpone so far-reaching and contentious a problem until after the war.

#### TIME INOPPORTUNE FOR SO RADICAL A CHANGE

It is reiterated that this is no time to make so radical a change as proposed by the commission. We do not know what conditions will be after the war. After the war we shall be in a much more favourable position to come to wise conclusions with much better knowledge of needs and requirements. I do not think that the provinces should be asked hurriedly to put their imprimatur upon these proposals.

I make these general observations, Mr. Chairman, with deep respect and grave concern.

Right Hon. Mr. MACKENZIE KING: We will now hear from the Premier of Prince Edward Island.

#### FOR THE PROVINCE OF PRINCE EDWARD ISLAND

Hon. THANE A. CAMPBELL, K.C. (Premier of Prince Edward Island): Mr. Prime Minister and gentlemen: In common with the premiers of the other provinces, I wish to express to you, sir, my appreciation of the opportunity of discussing freely and frankly the issues connected with the report of the Rowell-Sirois commission.

The press has naturally been anxious to predict the attitude which the provinces and their individual representatives would take on this occasion. I was rather interested to notice the prediction that I was not likely to be critical of the report. It is rather a daring prediction to make that a person with the traditions of a Prince Edward Islander and the training of the legal profession should not be critical of such a document.

I may assure you, however, sir, that any criticisms which I may feel called upon to voice are intended to be in a constructive direction. Possibly one of the most general objections which is levelled at the adoption of the commission's report is that it would, apparently, lead to the centralization of power

in the dominion parliament and to a loss or lessening or surrender of a certain degree at least of provincial autonomy. I think possibly this fear is exaggerated. I am sure that so far as the present government is concerned the adoption of such a policy would neither be contemplated nor desired. I feel that we all recognize that the present Prime Minister and his colleagues are possibly less prone to the adoption of such an attitude than any government which has ruled in Canada since confederation; and in the second place it is to be observed that in the report itself there is, as I think has been very well pointed out, surprisingly small disturbance of the relative scopes of provincial and dominion jurisdiction as far as would lead to a threat of the loss of provincial autonomy. While the financial recommendations commonly known as Plan I appear to be the core of the report it is, I believe, necessary for provincial representatives in particular to avoid the danger or mistake of concentrating their sole attention on this angle of the recommendations. It is, I believe, necessary to draw a distinction between the problems of government of a province in financial and taxation matters in particular, and I say this especially with reference to provinces where the primary industries are most prominent and important—it is, as I have said, necessary to distinguish the functions and problems of provincial governments and the problems of the people of those provinces, particularly those who are engaged in primary industries such as our own agriculture; and we have claimed in all presentations made to the dominion government that our primary industry of agriculture in Prince Edward Island—and I think I share the view of the governments of the other maritime provinces—has been greatly handicapped by certain phases or features of dominion policy. One of those features is the problem of transportation which in turn may be subdivided into the question of freight rates, and in the case of Prince Edward Island the particular problem of communication with the mainland. As regards freight rates, the approach to this question has, I think, not been substantially changed by the recommendations, so that I do not think any doors on this important subject would be closed by the adoption of the report.

In connection with the island's particular problem of communication with the mainland, however, the commission has made a finding, a specific finding that the dominion has not failed and is not failing to discharge its responsibilities in this connection. I believe that the commission did not altogether familiarize themselves with all the details of this problem. In fact, I am doubtful if any commission ever could, because in order to appreciate fully the problems of this claim, shall I call it, of Prince Edward Island, it is really necessary to live there all the year round; and, therefore, although the commission did, I believe, make a proper assumption in implicitly assuming that this problem and the standard of efficiency required of the dominion must be judged in the light of present day conditions and not according to the standard of confederation or even early twentieth century days, at the same time Prince Edward Island cannot and will not accept as final the finding of the commission to the effect that the dominion has been and continues to discharge its full obligation on those terms of the union.

This issue is also complicated by the fact that the commission took as a basis of its finding the proposed new service between Prince Edward Island and Nova Scotia which, for reasons connected with the war effort, has been at least deferred for some time.

The second handicap under which our primary producers have laboured, and as a result of which they contend to have a claim against the dominion is the result of the so-called national policy. The commission disallowed the claim of the island and other provinces to a monetary compensation in respect of this contention. Among other arguments they said that even if such a claim did exist it would be extremely difficult and even impossible to calculate or measure the extent of such a claim in monetary value; but as compensatory

[Mr. Campbell.]



the commission did, on the other hand, recognize the validity of the claim and as compensatory to this disadvantage under which our primary producers are labouring the commission recognized the theory of fiscal need as governing and regulating the assistance which should be given by the dominion to the provinces. Unfortunately, in the train of the war there has come another handicap under which our primary producers have been labouring up to the present time, and that is regimentation.

Now, it is due to the genius of our democratic system of government and to our relative distance from the actual theatre of war up to the present time that we may be extremely fortunate in the fact that the degree of regimentation so far found necessary has been comparatively slight; but, unfortunately, for provinces such as ours this regimentation and its effect have so far been detrimental principally to the primary producer and chiefly to the farmer.

In this respect I presume that we are pretty much in the situation of our friend from a province like Manitoba; but perhaps we are a little more severely affected because we have not even the benefit of the peg which has been put in the bottom of the wheat market. Pork, on the other hand, is pegged from the top; butter is pegged down. Potatoes during this year have been sacrificed on a market which we feel with a certain amount of regulation could have operated at more satisfactory prices. The wheat processing tax has borne with particular weight on the farmers of our province. On the other hand the farmer sees labour pegged from the bottom, especially in the case of governmental construction. He sees fertilizer, equipment and necessities rising in price, and as I have pointed out, transportation facilities curtailed or at least deferred. It may be said that these are not particularly matters of dominion-provincial relationship. I submit, however, that many of these things furnish examples of the way in which purely dominion policies have been acting in the exclusive field of dominion jurisdiction, and even when controlled, not by parliament but sometimes by single departments or boards created by the dominion government, they may completely override provincial policies of long standing.

Just by way of illustration of that contention I might cite the case of the wheat processing tax. Wheat is not a commodity which can be produced in commercial quantities in Prince Edward Island; but it has been the policy of the provincial government to encourage the farmers of the province to produce enough wheat for their own domestic use. This, we believe, is in keeping with the commendable frugality which our government and citizens have shown in past years. We find also that wheat is a valuable ingredient in our crop rotation scheme.

The imposition of the wheat processing tax makes it practically undesirable or unprofitable for the farmers of the Island to raise even their own wheat and therefore this tax, as I have indicated, overrides what has been for many years an item of provincial agricultural policy.

Even more obvious is the effect in the same direction of the fixing of a maximum price for butter; because for the past twenty-two years it has been policy of the provincial government to urge upon the farmers the desirability of producing more and better winter butter.

While agriculture is our principal industry, dairying and butter making in particular are the principal and most stressed branches of that industry; and yet at the single stroke of a pen of a dominion commission appointed for a specific purpose the whole agricultural policy of the province is completely overridden and reversed.

It is no doubt inevitable that situations of this kind will arise; yet I believe that in dealing with these conflicting fields of jurisdiction the provinces are handicapped in having to deal almost exclusively with departments and with boards of the dominion government. I believe that the experience of the provinces in this direction is one which has led a great many provincial repre-

sentatives—possibly the press—to fear a further degree of centralization, if the financial relations between the dominion and the provinces are to be overriden and supervised by a Finance Commission such as has been recommended in the commission's report. The fear, I believe, is not so much one of centralization of power in the dominion—because an examination of the commission's report in that regard makes it clear that there is no substantial increase in dominion powers and no substantial decrease of provincial autonomy recommended—but that the adoption of a report of this kind will give rise to an increase rather than a decrease of bureaucracy and departmentalism within the scope of dominion government jurisdiction.

While the commission did not have this particular problem in mind, as the problem has naturally become aggravated owing to the necessity of war regulations, yet I think that the commission had something of this sort in mind, and they laid down certain principles whereby the working of the dominion and the provincial jurisdictions might be rendered more coeffectual.

There are two directions in which suggestions were made. In the first place there was a reference to the intermeshing of dominion and provincial operation in the field of concurrent jurisdiction. In the second place, the principle was recognized that the provinces had the right and presumably the duty under certain circumstances, of attempting to influence or change dominion policy in the field of exclusive jurisdiction. And for this purpose of intermeshing in the concurrent field, and of influencing in the dominion field, machinery was laid down, and the principal cog in that machinery was the holding of annual dominion-provincial conferences.

I believe that that is a long step in the right direction. I believe that even from the holding of this conference, whatever may come of it, a great deal of benefit will accrue in the direction of bettering relationships in the operation of dominion and provincial governmental machinery. But I have a suspicion that the holding of dominion-provincial conferences even once a year would be a little too general a procedure for the solution of this problem. One of the provinces, I think it was our neighbour New Brunswick, recommended that a department of the dominion government should be set up for the handling of dominion-provincial relationships. The commission rejected this suggestion, I think probably with good reason, because the minister of such a department would naturally belong to one or other of the provinces, and he might be, rightly or wrongly, suspected of favouring his province, or the group to which it belongs, at the expense of the other provinces. But it does seem to me that some more specific machinery than the holding of an annual general conference should be set up for dealing with the problems of dominion-provincial relationships, by a clearing house, as it were, through which the provinces might approach the dominion government and departments and boards of the dominion government, and through which the results of deliberations might be communicated to the provinces.

One suggestion that did occur to me was that a subcommittee of the dominion government might be allocated to this duty of dominion-provincial relations. The success with which subcommittees of the cabinet handle the important and urgent problems connected with wartime administration does suggest that an organization of this kind might meet with a great deal of success.

It has been said to-day that in the adoption of a scheme of this kind it is obvious that both sides to the alteration contract, as it were, cannot win. With all due respect, I do not think that that proposition is quite so obvious as it would appear to be on the face of it, for there are very many transactions in which both parties to every one of them are winners, as is illustrated by ordinary transactions of trade, whether between individuals or nations. The man who parts with his money is not by any means always the loser.

[Mr. Campbell.]



It has also been suggested that the present time of war stress is not a proper time to consider far-reaching recommendations of this kind, and that if emergencies, particularly financial emergencies, do arise in connection with the war effort, they should be dealt with by emergency measures. I recognize a certain amount of merit in this suggestion, which has been made, I think, by three of the provinces. But on the other hand there is a very grave danger, I believe, in that the adoption of emergency measures for dealing with emergency situations may lead to serious dislocations, not only, as I have already pointed out, in the field of policy regarding primary industries, but also in the field of finance, with respect to which the suggestion was primarily made. Take the question of borrowing. I understand that last week a young man shocked the provincial governments and the press throughout Canada by stating that if this report is not adopted, in the course of two years seven or eight out of the nine provinces will be bankrupt. Now, that theory may have been expressed a little tersely and not given so much explanation as perhaps should have accompanied it, but I believe there is a grave danger even in that direction, because if during the next two years or so additional billions of dollars are required and borrowed by the dominion government, there will be seriously increasing difficulties in the way of the provincial governments, not only, as some of them have no doubt experienced, in their borrowings for new purposes, but even in their borrowings for purposes of provincial refunding.

Reference has also been made to the gasoline tax as a source of provincial revenue. I am free to admit that I think the commission probably erred in describing this source of taxation as being remarkably dependable, but I submit that the gasoline tax will certainly not be made any less dependable by the adoption of the report at this time. In fact, in the absence of the adoption of the report, I believe that the gasoline tax, as at present collected by the provinces, is very undependable, because it may very well be that unless there is some clarification of the proper direction in which the dominion should expand its revenues, the dominion may very well feel that it requires to expand them in that particular direction. Not only so, but in order to conserve foreign exchange, the dominion may very well find it necessary to impose certain drastic restrictions on the importation or distribution of this commodity. Therefore it does appear to me that as our tax structure is at present constituted, at least, the gasoline tax is even less dependable than it would be if the clarification resulting from the adoption of the report were secured.

And perhaps the same thing may be said of the income tax, for instance, particularly in respect of those provinces which, like Ontario and Prince Edward Island, allow a deduction of the dominion income tax for provincial income tax purposes. Already the independability of the provincial income tax field has been demonstrated in that direction, and the prime minister of Ontario has referred to the loss of income tax revenue to his province owing to the increase of the rates and the decrease of exemptions in the dominion income taxes. If in the future the dominion government finds it necessary to extend the scope of its income tax collections, the provinces, and particularly those which allow such a deduction, will find their revenues from income taxes to be still less dependable.

Apart from the undependability of income tax collections, there are other objections to income tax and succession duty as provincial sources of revenue. The classes of individuals or companies which may be liable to income tax under a provincial law may be roughly divided into three: residents of the province, non-residents who operate through representatives in the province, and non-residents who have no representatives in the province.

If a province sets itself to collect a systematic income tax it must exercise the option of confining the tax to its own residents, thus placing them at a disadvantage in competition with non-residents; or, secondly, it must include

those non-residents who operate through representatives within the province, in which case those non-residents will be placed at a disadvantage in competition with other non-residents and will be inclined to withdraw their representatives from that province; or, thirdly, the province must seek to apply the tax to profits earned in the province by non-residents operating without a representative in the province.

When you come to the second alternative, and even to the third, the province is bound to be confronted not only with technical obstacles of jurisdiction and constitution but, even if these can be overcome, with difficulties of apportionment in regard to those parts of the income of non-residents which are earned in the province and those which are earned outside. And this final difficulty of apportionment will persist even if that very desirable measure, uniformity in the incidence of income tax, could be arrived at as between provinces.

In 1935, I think it was, the representatives of the provinces came to Ottawa and were practically unanimous in their insistence that the dominion government should withdraw from the field of income tax collection as being properly an exclusive field of the province. The dominion government declined to do this but it made an alternative suggestion, namely, that the dominion should collect provincial income taxes for the provinces. This was a decided improvement because it not only furnished the provinces with a more efficient method of collecting income taxes, but also led to a greater degree of uniformity as between dominion income tax and income taxes in the various provinces.

But, for the reasons which I have outlined, the practical difficulties of apportionment and the inequities resulting from variations among the provinces, and the technical difficulties which arise in the administration of provincial income tax acts, I for one have completely abandoned the idea which persisted in 1935, that income tax was a provincial field. I now firmly believe that income tax should properly be the exclusive field of dominion jurisdiction.

The same arguments apply perhaps to a lesser extent in the case of succession duties, because under the present system there is duplication. There is inequity. There are variations of rates and variations in incidence as between different provinces, and I submit that the commission was entirely correct in recommending that this field of taxation should be transferred to the dominion, under which jurisdiction the tax might be more efficiently collected and more equitably imposed; and it would cause a lesser burden on those who have to pay.

To sum up our position on this point. While we cannot agree with the commission that the so-called remaining revenues which are left to the provinces are remarkably dependable, I do believe and contend that they will be more dependable if the clarification of the proper field of dominion expansion is secured than they will be if the present system is allowed to continue.

As regards the inequities of the present scheme of taxation, I do not think I need say anything on that subject, but I must express our indebtedness to the premier of Manitoba for his very exhaustive and competent treatment of this question.

With reference to the specific recommendations in regard to Plan I, it would not be correct to say that our province is entirely satisfied with those recommendations. Five-sevenths of the remaining revenues left to us consists of gasoline tax. Under our present system we have a ten-cent per gallon gasoline tax, the highest in Canada, and that tax was imposed in consequence of a specific agreement with the motorists of the province that it should be applied for the purpose of a sinking fund to service the debt incurred in the building of improved highways. By that policy, under which we have provided a three per cent sinking fund for highway construction debentures,

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the dominion will gain to that extent if our net debt is taken over, and the province will be placed in the embarrassing position of continuing to impose on motorists in the province a ten-cent gasoline tax for general governmental purposes, only part of which will have any relation to the purpose for which this specific tax was originally imposed. I do not wish to discuss this objection in detail at the present time.

Another possible objection which applies no doubt to the various provinces is that apparently the commission made no provision or no specific provision for those capital expenditures which the provinces must necessarily make from year to year. The professed purpose of Plan I was to provide the provinces with the funds necessary to carry out the average Canadian standard of government and social services. The budgetary calculation of the national adjustment grant for that purpose was based upon current account alone. No provision was made for the capital expenditures which must necessarily take place from year to year.

I am not quite as sanguine as the premier of Manitoba as to the ability of the provinces to borrow on their own credit if the report of the commission is adopted. I feel that it will be at least difficult, if not in some cases impossible, for provinces to borrow on their own credit. Whether or not it is difficult, it will be expensive. The rates of interest to provinces which attempt to borrow on their own credit will probably be a good deal higher than they are now, and a great deal higher than those which the dominion government would be able to secure. The alternative, Mr. Prime Minister, appears to be that the provinces should secure in advance the approval of the finance commission for all their borrowings. Every time a provincial government wished to build a bridge, construct a mile of highway or erect a laundry in connection with one of its provincial institutions, in order to borrow for that purpose upon favourable terms, it would have to obtain in advance the permission of the finance commission.

I must express my approval of the principle of this finance commission. Naturally if the dominion is to take over provincial indebtedness and service the present debts for the future, if the dominion is to guarantee provincial borrowings in the future for special purposes, it is not only necessary from the point of view of the dominion, but it is desirable from the point of view of the provinces that the borrowings of other provinces should be carefully scrutinized by some dominion authority. I think this system would work well in connection with large borrowings for special purposes.

We do not anticipate any difficulty in that direction because we feel that the demands of our province will be so relatively modest that they will be readily met by any fair-minded finance commission. But the difficulty and embarrassment which it seems to me might well arise is in connection with the fact that the provinces will be under the necessity of obtaining in advance the approval of the finance commission for those small and ordinary capital outlays which they must necessarily make from year to year. Therefore, it would appear to me to be preferable that some arrangement should be made whereby the provinces could automatically and without special application obtain annual authority for a certain moderate amount of borrowing for necessary capital purposes.

The recommendation that the dominion government should take over direct relief in connection with employable unemployed would not be of very great advantage to our province. As has been pointed out, we feel that under present circumstances it might even be a disadvantage.

I note with some question that the commission has apparently excluded from the category of employables those who are seasonally employed and who have hitherto been regarded as employable. This bears upon our province with special severity because of the fact that we have a large fishing population, who are not only seasonally employed but whose season of employment is usually only a small fraction or portion of the year. Therefore, it does seem to us that

in enunciating this plan of taking over all relief in connection with employables the dominion commissioners should not exclude from the category of employables those who are engaged in an industry like fishing, where the employment is not only seasonal but in connection with which the season of employment is necessarily such a short portion of the year.

We have approached this problem as provinces from various points of view. As provinces we fall mainly into three categories. First, there is that category of province which because of wealth and because of the industry of its citizens, and perhaps due to its geographical position and the advantages of national policy, has built up a comparative degree of provincial financial autonomy. In the second place, there is that group of provinces which by the frugality of their citizens and the comparative frugality of their governments has kept themselves in reasonably good financial position. In the third place, there is that group of provinces which because of large expenditures—I shall not say extravagance, but, as it was expressed this morning, owing to disappointed hopes of rapid expansion find themselves in a position of greater debt than the other provinces. I believe we approach the problem from these three general points of view, and I believe that the commission gave a very fair-minded study to the merits of these three points of view.

Perhaps the commission had in mind the story I was reading in a book provided in my hotel room. That story had reference to a property owner who sent out his foreman to employ some men to work in his vineyard. If I remember correctly, those men were employed in four or five different groups. Some of them laboured all day long, some for a restricted number of hours, and some for only one hour. Only one of the groups had any definite contract respecting the wages to be paid. The only promise the other groups had was that they would receive whatsoever was right. When the time came for payment, at the end of the day, there was complaint among the various groups to the effect that those who had been called in at the eleventh hour received the same remuneration as those who had borne the burden in the heat of the day.

I believe the commission in its study and report upon the problems before it, had in mind a situation something like that I have described. I believe they sought to discover not what claim this or that province might have against the dominion, not what financial compensation one province might claim or secure for the loss of this or that service or for damage caused by this or that policy, but rather proposed to themselves to decide whatsoever was right.

I believe, Mr. Prime Minister, that this conference should approach the problems developed in the report in that same spirit. The province of Prince Edward Island, I believe, in common with the other maritime provinces, finds itself taking a middle ground in this connection. We find ourselves in a less favourable industrial and financial position than do the central provinces. But, on the other hand, we do feel that in the adoption of a report of this kind we shall be necessarily discriminated against by reason of our frugal financial operations in the past. While we have the lowest per capita debt of any province, it would seem that we shall be called upon to share the burden of those provinces whose per capita debts are higher than ours.

We feel, however, that on general principles, and particularly in view of the extreme urgencies connected with war-time finance, every consideration should be given to the desirability of adopting a scheme of this kind. We feel, too, that the financial implications of continuing the present system should be fully considered.

In his opening remarks this morning I believe the Prime Minister was impartial. I believe, too, that the ministers of the dominion government and their technical advisers can supply the provinces with a great deal of information which at the present time we do not have respecting the financial implications

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of continuing the present system. They can tell us of the implications surrounding the stringency and stress likely to result in the next two or three years. It is my belief that the provinces will and should be enlightened in the course of the forthcoming committee discussions as to the probable extent of such implications.

Not only are there the implications of war-time finance but, as has been well suggested, there are the problems of post-war rehabilitation. If, as has been argued, the taking over by the dominion of direct relief for employables is not of very great advantage to the provinces at the present time, I believe it will and must be of paramount importance to those provinces and to the dominion in arranging a comprehensive scheme of post-war rehabilitation. I say that because if this responsibility remains with the provinces, even with the assistance of the dominion it is almost bound to be a burden of severe gravity.

Finally, while we may not be convinced of the merits of many details contained in the recommendations of the report, yet I believe it has one outstanding merit which commends itself to consideration, either in normal times or in times such as those through which we are now passing. I refer to its remarkable elasticity. As has been pointed out by the commission, up to the present time, financial problems arising between the dominion and the provinces have been dealt with in a haphazard fashion. Under the proposed scheme financial arrangements would be systematic, and would have the great advantage of being subject to a systematic revision, to the advantage of the provinces only, at the end of each five-year period.

Without taking any more of the valuable time of the conference—and I believe I have already transgressed—I take my seat in the hope that the problem outlined in the recommendations will be given careful and thorough consideration by the delegates to this conference, and their advisers.

MR. MACKENZIE KING: I shall now call upon the Premier of Saskatchewan.

HON. W. J. PATTERSON: At what time shall we adjourn?

MR. MACKENZIE KING: In that respect I am entirely in the hands of the conference. I had thought probably we might conclude the addresses to-day. If the two gentlemen who have yet to speak could indicate the length of their speeches we might be in a better position to decide what would be the pleasure of those present. If their speeches would run past six o'clock it might be better to adjourn now and to hear the remaining speeches to-morrow. However I imagine most delegates would prefer to conclude this stage to-day, if possible. Perhaps we had better proceed with the address of the Premier of Saskatchewan, and after that we shall be in a better position to decide whether the Premier of Alberta will have sufficient time to conclude his observations.

#### FOR THE GOVERNMENT OF SASKATCHEWAN

HON. W. J. PATTERSON (Premier of Saskatchewan): Mr. Prime Minister and gentlemen, it is perhaps appropriate that at this gathering I should speak immediately after the premier of Prince Edward Island. While the province which he represents and the one from which I come are widely separated geographically and in many other ways, our problems are fundamentally the same, in that our prosperity is dependent upon one industry, the agricultural industry, which, as all those present are aware, has suffered considerably during recent years.

First of all may I associate myself with those who preceded me in expressing to you, sir, and to the members of your government our thanks for having arranged this conference so that we might have a very full and free discussion with respect to the important matter of the relationship between the Dominion of Canada and its provinces. We realize, I think, the burden that rests upon

yourself and those associated with you in the government of Canada, and we appreciate your thoughtfulness and courtesy in arranging for this very important gathering.

You will remember, sir, a similar gathering held I think about five years ago, when one of the important matters of discussion was the development of a practical method of amending the constitution of our country. Unfortunately our efforts in that respect came to naught. I sometimes think that had we been successful at that time, possibly this development would not have taken place. In any event I think I am right in saying that out of that conference and following the failure then to determine a practical method of amending our own constitution arose the demand—or shall I say the request or suggestion—that the whole matter of dominion-provincial relations should be studied. In that suggestion the government of Saskatchewan took a very active part.

For that reason we were pleased when the dominion-provincial commission was appointed, and realizing the importance of the study which was being made we took a very active part, as far as our province was concerned, in preparing our case and gathering together information with regard to the facts that were at issue, and we were particularly pleased when the report of the commission was presented because the commission had in effect adopted in large measure the suggestions and recommendations that we made.

It is no reflection on the Fathers of Confederation to suggest that the document which they drafted nearly seventy-five years ago should be revised and revamped. It is no reflection on their ability, their foresight or their statesmanship. The fact that that document, that constitution, has functioned as effectively as it has is the best evidence of the ability of the gentlemen who prepared it. I think we would all agree, no matter from what part of Canada we come, that the development which has taken place in the interval has been unexpected; it has not followed the lines that any person of that day could possibly have foreseen. I think we would all agree that the development of Canada has not been uniform. By that I mean that some parts of Canada have grown and developed, that industries have been established and financial concerns have come into operation far beyond the expectations of the Fathers of Confederation. I think we could all agree that the formula or the principles that were adopted seventy-five years ago to apply to a dominion then being brought into being, and taking into account the conditions which existed at that time, might properly and to the benefit of all concerned be amended or changed at the present time.

The question then is, what should be the nature of these changes, and when should they be made? In discussing these two phases of that question, the amendment of our constitution and a revision of the method or system under which we operate, may I first make myself perfectly clear that the people of the province of Saskatchewan in favouring any revision of the constitution of Canada, and favouring such revision being made at an early date, have no wish or desire to interfere in any way with the minority rights which were accepted and established by the Fathers of Confederation and which are so highly regarded by the people who enjoy those rights. I would want our fellow-Canadians in other provinces who are affected by that revision to understand fully and completely that so far as we in Saskatchewan are concerned, any suggestion that the time has come when changes should be made does not indicate in our minds any wish or desire to affect in any way the rights of minorities in the dominion of Canada.

Taking the second question first, as to when these changes should be made, it has been argued—it was argued here to-day—that because of the fact that the country is at war we should allow this matter to rest at present; that for the moment and as long as the war continues we should devote our entire attention and capabilities to the prosecution of the war. The argument

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is also advanced that none of us know what may be the outcome, none of us can foresee the conditions that may exist after the war, but that conditions will be greatly changed. Accepting those arguments—and they are good arguments—I would suggest that if the governments of Canada, the dominion government and the nine provincial governments are not functioning effectively and to the maximum of their capacity we cannot effectively, or at least as effectively as we should, prosecute our war effort, nor can we as effectively deal with the problems which will arise after the war. If the adoption of the principles contained in the report of the royal commission on dominion-provincial relations will make for greater effectiveness, greater efficiency and greater economy in the operation of the various governments of Canada—and we in Saskatchewan believe that their adoption will bring that about—then I say the change cannot be made too quickly or too soon, and the province of Saskatchewan favours early action, provided it can be arrived at harmoniously and with a degree of substantial agreement.

When we come to consider the question of how the constitution of Canada should be amended and revised we touch a much more debatable question. We in Canada, as all here are aware, operate under a federal system of government. That type of government has its advantages and disadvantages. Under federal system of government certain governmental functions naturally fall into the class of those which should be carried on by the federal government, others naturally fall into the class of those which should be administered by the provincial governments. In between there is a large group of governmental functions and services some of which can best be operated jointly by the two governments and the question whether others should be allocated to the federal or provincial jurisdiction may be debatable. I think perhaps it would be safe to say that due to the growth and development of governmental services and governmental activities since 1867 it is quite possible that it is more difficult to-day to define and separate governmental duties and services and allocate one group to the federal responsibility and the other group to provincial responsibility than it was at the time of confederation.

Much has been said following the publication of this report and in the discussions which have taken place with respect to provincial rights, and suggestions have been made that the implementing of these recommendations would involve the transfer of a substantial measure of provincial rights or provincial autonomy to the federal government. Those of us who come here representing our various provinces should be diligent in preserving a proper measure of provincial autonomy and provincial rights, but in doing that we should not overlook certain things: the fact that we are responsible to the people, and that the people have rights; and as a rough measure I would suggest this, that in deciding whether any particular government service or government responsibility should be administered by the federal government or by a provincial government, the test should be as to which government could administer it most efficiently and most economically and most effectively, taking into account the people concerned. And I would suggest, sir, that the division of jurisdiction as between provincial and federal rights and responsibilities should be decided on that basis.

When we come to study and analyze the recommendations of the commission, it appears to me at least that the commission has not very greatly disturbed the division of jurisdiction between Canada and its provinces. It has, it is true, defined and classified and suggested that certain divisions be made, but it has not, in my opinion, at least very seriously interfered with or altered the jurisdiction of the provinces and of the dominion.

Speaking for the province of Saskatchewan, may I say that in the main, in that definition or in that classification of jurisdiction or responsibility the

government of the province of Saskatchewan in the main is in agreement with the recommendations of the commission, and where we disagree I feel that those are matters we shall discuss when we go into committee.

I shall touch only briefly upon one or two items of the recommendations. In connection with constitutional matters, there is an important recommendation with regard to the delegation of power from the province to the dominion or vice versa, and with that recommendation I must say that the government of the province of Saskatchewan is in general agreement. As a matter of fact, sir, that is operative to a certain extent in the province at the present time, perhaps not with constitutional authority or constitutional blessing, but effectively nevertheless.

A very important recommendation made by the commission has to do with the provision for relief of a certain class of our population, the unemployable unemployed. Unfortunately, the definition of that particular term or class is rather vague and to anticipate or forecast what difference it would make to our province is for that reason rather difficult to arrive at. In any event, I am afraid that even under a very generous acceptance of the term unemployable unemployed, that particular recommendation of the commission would not afford the province of Saskatchewan the advantages, financial and otherwise, that the commission has anticipated. A little later, if time will permit, I shall take a few moments to outline the situation in our province in connection with that particular recommendation. I do not want to be quoted or to be understood as being opposed to it, but I do suggest, sir, that the relief of unemployable unemployed in the province of Saskatchewan is a comparatively small part of our unemployment.

The major recommendation of the commission, of course, has to do with finance, but those of us who are responsible for administration of provinces—most of us at least—are very much concerned with the finances of our provinces, and we are going to be interested in the recommendations of the commission because of the effect they would have on our provincial finances.

In principle the province of Saskatchewan is quite prepared to accept the formula submitted by the commission. I am going to quote just two sentences if I may, sir:

It should be made clear that while the adjustment grant proposed is designed to enable a province to provide adequate services at the average Canadian standard without excessive taxation on the average Canadian basis, the freedom of action of a province is in no way impaired.

And again on page 126:

The purpose of the national adjustment grants to be paid by the dominion to the provincial governments is then, in brief, to provide for balanced provincial budgets after provision for expansion of education and welfare services to the national average where these services are below it, and expansion of developmental expenditures to the 1928-31 averages of the individual provinces.

With that principle or formula, or with that ideal, we are in entire agreement. I cannot say that we can accept the figures as worked out by the commission with respect to the province of Saskatchewan. I think my friend from Prince Edward Island touched on that phase of the matter also. I think, in fact, the commission itself suggested that their figures are subject to correction, but I say again, Mr. Prime Minister, that the province of Saskatchewan accepts the formula or the principle or the policy which the commission had in mind and which I have quoted to you.

There is another factor that has not been referred to to-day and which I think is a rather important one. We quite realize that the government of Canada has no direct contact or association with the various municipalities, but I think, sir, that you will agree that one of the most important parts of

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democratic government is an efficient and satisfactory functioning municipal system. After all, perhaps the government which is most important to most people is the government which is closest to them, and that is their municipal government. I presume the same thing is true up to a certain extent in other parts of Canada, but certainly it is true with respect to the province of Saskatchewan. Coupled with the general economic condition these things have created very special and very difficult municipal problems, and to the extent that the improvement of conditions between the dominion and the province will make it possible for us to have some measure of advantage or benefit to our municipal organizations I regard it as a very important and a very worthwhile matter. It is essential that our local self-governing bodies be put in a position to operate with the highest degree of efficiency, and as I said, the conditions in our province have handicapped these organizations very, very seriously and very materially during recent years.

We are hopeful that out of this conference will come some benefit to the province which we shall be able to divide with our municipalities.

The recommendations of the commission refer to transportation. In our part of Canada transportation is very important. Until very recently, so far as transportation was concerned, we were entirely dependent for transportation upon the railways. We did not have the advantages of Ontario and Quebec and the Maritime provinces of having a competitive transport system operating on the water. To some extent the development of roads and of truck traffic have offered a measure of competition; but perhaps in our part of Canada, and I think it would be equally true of Manitoba and Alberta, the matter of transportation is a very vital one. I am not going to say, however, that we are entirely in agreement with the recommendations of the commission in that respect.

The province of Saskatchewan, Mr. Prime Minister, was one of the last to be organized and to be admitted into the confederation. I do not know whether that was a handicap or not, but at least we have not had the same number of years to develop our economy and industrial life. In addition to that, as I suggested at the outset, a rather peculiar condition applies in our province, which is different even from our neighbouring provinces of Manitoba and Alberta, in that we are more dependent than any of them upon one industry and one industry alone. There is not the diversity of occupation or of production that applies even to the province of Manitoba or to the province of Alberta. That condition was imposed upon us not by anything of our own choosing; it is because of climatic and geographic conditions.

We get a great deal of advice and suggestions as to how we should operate our economy. We are told that we should do this, and do that and the other thing. As a matter of fact, the people of Saskatchewan have adapted themselves. They have a good measure of common sense; they have a good deal of intelligence, and they have as a matter of fact adapted themselves to the conditions which obtain in our province. But the condition is such that, as I have already stated, we are largely dependent upon our major industry of agriculture, and no matter how favourable climatic and weather conditions may be, when you have a tremendous area, such as we have, dependent upon an inch more or less of rainfall, you can appreciate that our economy is rather a difficult and, shall I say, a haphazard one. That is not a very good word, but it is a fact.

Despite that, the province of Saskatchewan has contributed a tremendous amount of wealth to Canada. We have produced in past years and will continue to produce in the future a tremendous amount of wealth in the form of grain and agricultural products, a very large percentage of which goes to improve the financial condition of people in other parts of Canada. But we do face that particular problem; we do face that particular difficulty, and we

do feel that some adjustment should be made in the national economy, and some revisions be agreed to which would provide for a greater degree of flexibility and for what the commission had in mind—conditions which would make it possible for the people of Canada generally, irrespective of the part of the dominion they live in, and of their particular occupations to enjoy a somewhat comparable measure of service and attention from the government under which they happen to live.

In conclusion, sir, may I say this. The representatives of my province have come to this conference anxious, of course, to protect the interests of the province we represent. But we come first, sir, as Canadians interested in the welfare of the Dominion of Canada and in all that will strengthen national unity and our national war effort.

My province happens to have a very cosmopolitan population. We have in Saskatchewan people who have come from practically every country of the world. There are some who think that because of that we are not as fully appreciative of democratic principles and of what democracy means. Sometimes I believe some of the people who come to us from some of the central European states appreciate democracy, liberty and freedom more than we British people do. That has been my experience. We come here, sir, not with any desire or wish to impose our ideas or problems or difficulties on the rest of Canada; we come in a spirit of cooperation, of compromise, and of mutual good will, realizing that we have responsibilities to this conference, a duty to the province that we represent, and a duty to the people of Canada. We have two duties, as a matter of fact; first of all, to make sure that Canada's utmost effort is organized to the fullest possible extent and the fullest capacity so that we will make sure of winning this war; and secondly to put ourselves in the best position to deal effectively with the problems that will undoubtedly arise after the war. Unless we do that, gentlemen, then the people who sent us here will have sound reason to be disappointed in us.

We in Saskatchewan believe that the principles contained in the recommendations of the commission are sound; and that their adoption—the adoption of the principles, not accepting the report word for word—will tend to improve conditions in Canada for the provinces of the dominion. For that reason we are here, sir, to make our contribution such as it may be in a sincere and honest effort to improve conditions not only in Saskatchewan but in Canada as a whole.

Right Hon. Mr. MACKENZIE KING: Mr. Aberhart, when I spoke of six o'clock I did not wish to set any arbitrary time. I had in mind what we had contemplated at the beginning of the session. I am sure that all present would like to have you make your presentation to-day if it is convenient for you to do so, and would like you to take just as long as you wish to take.

Hon. Mr. ABERHART: If they are not too tired, sir. We have had a long afternoon and it may be a little tiresome.

Right Hon. Mr. MACKENZIE KING: I think we would all be refreshed by hearing you.

#### FOR THE PROVINCE OF ALBERTA

Hon. WILLIAM ABERHART (Premier of Alberta): Mr. Prime Minister and gentlemen, I feel that this is rather an auspicious occasion to be in this magnificent building for the first time in my life—I mean down here on the floor—and to hear all these splendid addresses. It has been exhilarating and helpful, I am sure, to every one of us.

There are disadvantages in speaking last and there are advantages. One disadvantage is that your audience may be tired, and having heard so many pieces of logic do not care to hear a further address. The advantage is that you have had the benefit of the information imparted by all the previous speakers, and it has inspired you along certain lines.

[Mr. Patterson.]



I feel a little bit like the old lady who had her first operation. The folks gathered around her and said, "How did you feel when you went under the anaesthetic?" She said: "I felt just wonderful, beautiful. Every problem in the world seemed to depart from me; everything was solved for me all at once. I floated up, as it were, beyond the clouds, and I thought I was in heaven. And then I opened my eyes a little bit and I saw the doctor, and I knew I could not be in heaven."

As I listened to the arguments this afternoon it appeared to me that only one thing was necessary to solve our problems completely and make them pass out of existence, but when I open my eyes and look straight at those problems I find that they cannot be solved in this way. We shall have to face that fact.

May I first of all bring greetings from our little province of Alberta, the land of sunshine, the province of the foothills, the youngest member of our great Canadian family? I assure you, Mr. Prime Minister, that our representatives are delighted to be here to take counsel at this time with our fellow-Canadians on matters of such grave importance as we have been discussing this afternoon. We think it was the proper thing for you to call us together, and we want to thank you for this privilege. It has been said to us that history repeats itself. That is true. But I am not one who wants to be the cause of having it repeat itself. I think history will repeat itself without any aid from man. When we start to put our hands on it we are apt to do some harm. On this occasion we cannot help but look back to the time seventy-four years ago, when four of the eldest members of this illustrious family got together to discuss problems similar to those facing us to-day. I am prepared to uphold the claim that the pact which was entered into at that time, although not perfect, was both desirable and necessary, even though the unfortunate developments of the last half century, with all their havoc, might indicate otherwise. And though I might question the wisdom of this second gathering, just as I do question the wisdom of second marriages—I think you will agree with me on that, sir—I do not believe that the British North America Act, or confederation, or whatever you like to call it, has been responsible since that time for the three D's which have marked the industrial history of some of our provinces—I mean, decadence, debilitation, and death. I do not believe that confederation was the cause of these things, but I avow, sir, that something has been responsible for the awful plight that has settled upon the provinces. I notice sadly that the Ethiopian is still at large; the blight continues.

I am convinced that confederation was not, and is not, responsible for the devastating economic problems we face to-day. But something has been responsible for them, and still is, and we are determined, I hope, to catch up with that something and deal effectively with it. Since these economic problems are world-wide, and the same symptoms are common to most countries, nobody surely can place any particular blame for them on the provincial governments of Canada. The condition of the world before the war—the widespread poverty, the general insecurity, the spectacle of debts mounting to fantastic heights, of our ever-increasing taxation, of our shrinking markets, of idle men and idle resources existing side by side with want—these were economic symptoms of a deep-seated malady and, I claim, not in any sense political or constitutional. They were common to countries with different constitutions and political systems. If, therefore, in facing these questions we permit ourselves to be side-tracked by some political issue, we are likely to lose the trail of the root cause from which our difficulties arise. And I feel, after listening to the addresses that have been given to-day, that that is just exactly what we are doing. We think that political adjustment is going to

solve these problems, whereas political affairs have nothing to do with the cause of them. The cause is economic. We must face the situation from that standpoint.

We are met, I take it, to discuss whether Madam Canada, seventy-four years old, should take over some of the problems which confront the family, the members of which, in both age and experience, should be well equipped to meet their own responsibilities. I am reminded of a friend of mine who once went to a doctor to be treated for a very bad cold. He said: "Doctor, I am afraid of pneumonia. A good many of my friends have died of pneumonia, and I want you to examine me very carefully, because I do not want to die of it." The doctor gave him a careful examination, tapped him here and there, and after a while he announced: "You have not got pneumonia. What you have is chronic bronchitis." Then he wrote a prescription and said, "This will fix you up." The man looked at the prescription and he said, "Are you sure this will make me well?" The doctor replied, "Yes, it will." Then the man asked, "Have you had any particular experience with this disease?" And the doctor said: "I certainly have. I have had it myself for fifteen years." I would respectfully submit, sir, without assuming the attitude of criticism, that during the last half century Madam Canada herself has had problems similar to those facing us to-day, and her inability to deal with them effectively is in no small measure responsible for the fact that the provinces are beset with them to-day.

Furthermore, I should like to emphasize at the very beginning that any proposal for dealing with our problems by a centralization of power and of government is diametrically opposed to the grand old British ideal of good government under which the Empire has been built and which to-day gives it its strength. This is a question I ask myself, and which I ask, too, of all the members around this table: Can we afford to consider even for a moment any action involving a departure from those established and well-tried principles of our British ideals?

As Canadians, we have a very deep affection and loyalty for Madam Canada, and I would be the last man to judge the dear old lady harshly; for, woman-like, she has probably been the victim of that tyrant, Dame Fashion, who has compelled her to submit to the forms and the customs set by other countries, even if it meant that the family would have to go hungry.

Now, what is the job of each of us at this moment? Is this conference a ration line, where we are to receive our dole, or is it a place in which each must grab all that he can to carry away with him? Is it not rather a conference to which we are privileged to bring, for the benefit of the Canadian nation, the combined gifts of thoughtfulness, wisdom, foresight, vision, tolerance and understanding with which we Canadians may be endowed?

Is this not our golden opportunity to lay the foundations for the never-before realized gifts of fraternity, freedom, equality of opportunity, and, what is also important, financial security? We are here, honourable chairman and gentlemen, I take it, to make it possible at some near future date to formulate for Canadians a series of decisions which will give them security in old age and the right to enjoy, according to their needs, the abundance of food and clothing and the comforts of adequate and sanitary shelter which the limitless resources of this great dominion can provide. We are here, I assert, to establish a heritage of education for those who seek to learn; of health for those who suffer pain or disease; of security and deliverance from debt for those who have builded homes in their prime of life and who may face eviction and the loss of their sacred firesides when the lean years descend.

We are here, I believe, to draft a scheme of things for the Canada of the future, a scheme of things which will bring to that Canada a standard of justice which shall place human values above dollar values, a scheme of things that will provide for our fighting heroes when they return a standard of national

[Mr. Aberhart.]



viewpoint which shall not only recognize, as you have publicly stated, Mr. Prime Minister, but which shall further decree, that that which is physically desirable is financially possible.

I question very much that the adoption of the Sirois recommendations will achieve these purposes.

From your remarks, Mr. Prime Minister, I take it that you and your honourable colleagues have felt that this question of the Rowell-Sirois report is of paramount importance, or you would never have called this conference at a time like this. Are we then to suppose that the federal government has in any way been restricted by any of the provinces in its great task of directing our national war effort, or is it that the federal government has not now the complete authority it requires under the War Measures Act to secure full support for the mighty struggle in which the empire is engaged?

I fail to see that the adoption of the Sirois report would give the dominion any power which it has not already in this respect.

We applauded the president of the United States the other day for his splendid offer of complete assistance to the British empire in its fight for the preservation of democracy. We realize that the strength of America's aid to our cause lies in a decision freely taken and in help voluntarily extended, without any pressure on our part. We did not institute a campaign of propaganda over the air or through the chambers of commerce and service clubs to suggest that our friendly neighbours should enter the war, or that they should submit their affairs to the control or domination of some central authority if they wished to show their true loyalty to the great ideals they cherish in common with us. That would have been a most improper thing for us to do under the circumstances.

Most of us may have heard of the much publicized submissions of "Union Now", which have been put forward by certain individuals and organizations. Under these proposals it is suggested that the British empire, the sovereignty of British peoples and the glorious armed forces which guard that sovereignty should come under the control of some international centralized authority. Think of it, at a time like this.

I am myself dumbfounded by the bold effrontery of such subversive suggestions right in the midst of the British Empire at a time like this; but I wonder if these recommendations of the Rowell-Sirois commission can be urged upon the provinces with any more reason or propriety than the "union now" proposals could be urged upon the British peoples to their sovereign destruction.

The statement that the acceptance of these proposals is an evidence of good faith and loyalty in this titanic struggle against the forces of totalitarianism is in my estimation so evidently misleading and far-fetched that it should be looked upon as dangerous, deceptive and diabolical propaganda. Both these proposals involve a centralization of power in direct opposition to the principles of democracy, for which we are fighting to-day, and to the British traditions which we cherish.

I therefore submit that we in Alberta are of the very definite opinion that this is a most inopportune time for the discussion of these highly controversial matters. With a struggle as great as the empire has upon its hands at the present time, a struggle which calls for the undivided and whole-hearted support of every province and every individual in every possible way, it seems the greatest folly for us to engage in discussions of such contentious questions at the risk of dissension or of misunderstanding. Never in the history of Canada has the need for complete national unity of purpose and of effort been more essential than it is at this time; and I urge, with all the sincerity of my soul, that we do nothing which will in any way jeopardize that essential unity.

We believe, sir, and I am sure that the view is shared by many, that the deep-seated problems which are confronting us are not yet fully understood and cannot possibly be dealt with adequately until this awful, devastating struggle is ended and we turn to the task of making good the havoc of war. Then we shall have not merely to deal with the problems carried over from pre-war days and intensified by war conditions, but to face the reconstruction of our whole economic and financial systems—and that is difficult at this critical time.

I do not care what men talk about, but the present system cannot bear the load that is being placed upon it. There has got to be another means of doing it; a new organized economic and financial system must be set up. Surely it cannot be disputed that the problem of employable unemployment, in fact all unemployment, could be easily handled by the federal government under existing arrangements. I quite agree with Premier Hepburn in what he has said in that regard. It is not a problem which the federal government cannot handle even now.

I am convinced that the debts of the provinces could well wait for a little while longer, for under our present stupid debt-creating system of finance we shall have accumulated so many debts after this war that we shall then be able to deal with them in a wholesale fashion instead of piecemeal. For the life of me I cannot see, if the Bank of Canada is able to take over the handling of all provincial debts under the Rowell-Sirois commission's recommendations, why the Bank of Canada cannot much more easily handle the refunding of the provincial debts on reasonable terms with the aid of the provinces.

There is no reason why I should go into the question of debt in Alberta. If it is necessary, in order to pay interest on bonds, to deprive school children of education and people of their health, you can count me out. If that is something to laugh at, let people laugh at it. I submit that the debts of our provinces could wait for a while longer.

In the meantime, getting on with the essential task in hand, the federal government has all the powers under the War Measures Act to commandeer any resources required during the conflict, and I am satisfied that every one of the provinces is not merely willing but eager to give all the help it can and to fall into line with any temporary measures that have to be adopted to meet war emergencies. But to begin to alter or revise our present constitution, or to establish a new constitution at a time like this, seems to me a greater incongruity than Lincoln's illustration of changing horses in midstream. It is hardly the kind of thing that responsible-minded leaders of democratic thought would allow themselves to be stampeded into doing.

During the past few weeks, in the midst of all the intensified atmosphere engendered by the war, our people have been subjected to a virulent propaganda campaign—almost amounting to ballyhoo—in favour of the immediate adoption of these recommendations, when, as a matter of fact, the majority of the people, including many of those passing resolutions, had never read the report and have no clear idea what it is all about. I do not know what the effect of this organized propaganda was in the east, but in the west the rank and file of the people have been asking, "How will the adoption of these recommendations benefit the individual citizen?" They have felt, very properly I think, that this should be the test of the desirability or otherwise of any suggested permanent changes in our democratic constitution.

When they found that the full burden of existing debts would still be upon them in no less degree, and that any control they have over these debts would be one step further removed from them; when they discovered that their taxes would be just as great or perhaps greater and that, with the reduction of provincial taxation powers, the only ones that could possibly benefit would be the large corporations and financial institutions; when it became known to

[Mr. Aberhart.]



them that the standard of social services would be virtually removed from the full autonomy of the provinces and placed largely under the control of a semi-independent financial commission, many of our hard thinking and realistic-minded citizens demanded to know, in their own vernacular, "What is all this row about at a time like this?" and "Who is responsible for it?"

If the federal government wants to increase the income tax, let them do it, but they do not have to take away our income taxes. Working under such a semi-independent financial commission we would not be able to have the educational system we have at the present time. We would not be able to have such a system, unless Quebec had a similar educational system. Our people will ask, "Why are they so anxious to raise an issue like this when we all have our hands full with the job of the war?" And the whisper has gone around, "It is the money powers."

I am going to speak frankly. I believe that the perilous situation which is facing our nation and the empire demands sincerity of speech and boldness of action. I maintain that it would be most unfortunate if the idea gains popular credence that there is a concerted and deliberate attempt being made by the money powers to increase centralized control of our national life while our attention is fully occupied with the prosecution of our war effort, and that thereby there is developing an endeavour to obtain an unfair advantage over the people by means of imposing upon them a crushing debt structure under which they will be further enslaved. I am sure that every man in this gathering must be aware that considerable suspicion has been aroused in the minds of many because of the intensity of the propaganda campaign and the great expenditure of money and the frantic and unwarranted haste that has been urged in connection with the adoption of the Rowell-Sirois recommendations.

Make no mistake about it. Not only the efforts to gain the adoption of these recommendations, but the barrage of obviously inspired propaganda to win support for the "union now" proposals have been causing growing uneasiness in the minds of many. Whether it is common knowledge or not, we in Alberta are fully informed on the action which was taken in Australia regarding this sinister propaganda. In that British country they seem to have much more direct methods than we have to deal with such matters. We note that instead of allowing the use of radio facilities for its dissemination, as was done here, they treated this "union now" propaganda as being subversive to the British empire and raised such a storm of protest that public addresses on the subject had to be abandoned.

Surely it must be evident to any loyal British subject that to sit calmly and indifferently by while we are being hoodwinked and inveigled into a financial dictatorship or a fascist state, at a time when we are giving the best of our manhood to the empire and are sacrificing our all to overcome that foul thing which has raised its head in the world in many guises—a totalitarian order of centralized control and regimentation—is not only ridiculous but dangerously criminal. I have no apology to make for speaking thus. When I think of the perils which are besetting us and threatening the very foundations of our country and of all that is precious to us, words almost fail me to convey to you the warning which must be voiced before it is too late. Do not let us shut our eyes to these matters for as we have been warned, evil is abroad in the world and we are fighting evil things.

Returning to the questions raised in connection with the Rowell-Sirois report, I submit that those who would wish to rush through these far-reaching measures are concerned primarily with bolstering up the defects of the present financial system. They seem unable to realize that our present system of finance is doomed. It cannot be bolstered up, no matter what they do. It cannot continue to sustain the weight that is being placed upon it. They would

sabotage our national constitution and endanger our essential unity in the prosecution of the war effort in order to preserve a vicious, outworn and inadequate monetary system. I suggest that our reply to these fiery advocates should be that we intend to preserve our constitution and our national unity and instead to overhaul the monetary system.

I repeat that the dominating difficulty out of which all our problems arise is mainly economic, and not political, and the focus of that economic problem is financial. If we become sidetracked down political or constitutional bypaths that have no ending we shall land in a wilderness of failure.

So, once more, I would urge upon this conference what seems to us in Alberta to be the over-riding importance of preserving and strengthening our national unity of purpose and effort, and refraining from doing anything which will jeopardize that essential unity at this critical hour. I would therefore suggest with the utmost deference and respect that we do not prolong this conference at the present time, and that we refuse to get involved in the contentious discussions which it would engender on all sides. I am satisfied that this conference may have not merely a quieting effect across Canada, but the creation of a new understanding between all parts of the country out of which will be born a new strength if, as a result of getting together on this occasion, we agree to direct our whole attention and all our efforts at this time to our supreme task, namely, first, the winning of this titanic struggle for democratic liberty and Christian freedom and, second, the careful preparation in advance for the post-war conditions which, with the glow of victory already lighting up the horizon, we may expect to be upon us at any time, although we continue to face a long and bitter struggle.

I think I should apologize for keeping you so long, but I appreciate the attention you have given me. May I congratulate you, Mr. Prime Minister, and your colleagues upon bringing us to this conference. I am sure that our meeting will not have been in vain if, having come together to discuss the Sirois report, we decide in view of the present circumstances to set it aside in order that, united, we may give every effort toward winning the war. Such a decision and such action would be a remarkable demonstration of Canadian unity and determination. It would be a challenge to the aggressor nations and a sterling testimony of our appreciation of the undivided support we are receiving from our good neighbour, the United States.

I feel that there is much that might be done at this time through the discussion of the possible reconstruction for the post-war period for which we should be laying the foundations to ensure for our people security in old age and the right to enjoy, according to their needs, the abundance of food and clothing and the comforts of adequate and sanitary shelter which the limitless resources of this great dominion can provide. I want to repeat some of the words I said before. We shall look to have established a heritage of education for those who seek to learn, of health for those who suffer in pain or from disease, of security and deliverance from debt for those who have builded homes in their prime of life and who may face eviction and loss of their sacred firesides when the lean years descend.

We are here to draft a scheme of things for the Canada of the future; a scheme of things to lay the foundations for making Canada, to use the words of the late President Wilson, a country fit for our returning heroes; a scheme of things which will bring to that Canada a standard of justice which shall place human values above dollar values; a national viewpoint which shall decree that that which is physically desirable is financially possible.

In conclusion may I say that we in Alberta stand ready to allow our province to become the experimental ground to demonstrate scientifically the rich and glorious possibilities for living in contentment and security based on the principles of democracy, not only in the political but in the economic sphere as well.

[Mr. Aberhart.]



We feel that if the federal government will assist us in refunding our maturities when they come due at a lower rate of interest—say three per cent—we will be able to get along and look after our own problems, under present circumstances. We are willing to do anything we can to help meet the needs of the provinces, but we feel that at the present time it is both dangerous and unwise to start making constitutional changes.

Right Hon. W. L. MACKENZIE KING: Gentlemen, we have now concluded the first part of the proceedings of the conference. In calling the conference I sent a letter to the premiers of the different provinces outlining the procedure which my colleagues and I believed might prove to be generally acceptable. I wish to make it clear at this time that in so doing the purpose was that of so far as possible accommodating in advance delegates attending the conference. However, there was nothing arbitrary about the suggestions made. They were put forward tentatively, and with a view to giving all concerned an opportunity to consider them on their merits.

This morning I suggested that possibly progress would best be made if after concluding the addresses we have heard to-day the provincial premiers would meet with two of my colleagues and discuss with them the question of the further proceedings of the conference. That is to say, they would discuss the agenda to be followed from now on, the question of the meetings of committees to consider different aspects of the report, and the extent, if any, of publicity to be given to proceedings of committees.

That was the suggestion. Of course I am in the hands of the conference as to what may be regarded as the best means of arranging further proceedings. If the suggestion I have made meets with the approval of those who are seated at this table I would ask my colleagues Mr. Lapointe and Mr. Crerar to meet with the premiers of the provinces either some time this evening or early to-morrow morning to consider the matters to which I have referred.

These gentlemen might then report back to the conference concerning their decision with respect to further proceedings. If it is found necessary there can be further discussion here.

Should the statement presented to the conference indicate unanimous agreement, or failing this, then that representing the views of a majority of the provinces, we would then be in a position to proceed in the manner indicated with the further consideration we wish to give to the questions before us.

I do not wish to prevent anyone from expressing an opinion; but I would venture the suggestion that it would best suit the convenience of all if Mr. Lapointe and Mr. Crerar were to meet with the premiers of the provinces immediately after we adjourn, and subsequently discuss with them the further proceedings to be adopted.

Hon. Mr. PATTULLO: It might be that the committee might not have time to meet this evening.

Right Hon. Mr. MACKENZIE KING: If it were understood that we would meet to-morrow morning at 11 o'clock the committee might then meet in advance of that time—possibly at 10 o'clock. I would suggest that room No. 16, used as a common room in the House of Commons, would be the most convenient place in which to meet, or possibly his honour the Speaker of the House would invite the gentlemen concerned to come to his apartment.

As there appears to be agreement on this, it is understood, then, that the meeting to which I have referred will be held to-morrow morning at ten o'clock in room 16, and that the conference will reassemble here at eleven o'clock. The conference will now adjourn.

The conference adjourned at 6.15 p.m., to meet again Wednesday, January 15, at 11 a.m.





## APPENDIX

List of Representatives and Advisers to the Conference; Organization; Personnel of Committees; Secretariat; Arrangements Committee; Press Liaison Officers.

### DOMINION REPRESENTATIVES

Rt. Hon. William Lyon Mackenzie King.....	Prime Minister. President of the Privy Council. Secretary of State for External Affairs.
Hon. Raoul Dandurand.....	Government Leader in the Senate.
Hon. Thomas Alexander Crerar.....	Minister of Mines and Resources.
Rt. Hon. Ernest Lapointe.....	Minister of Justice and Attorney General of Canada.
Hon. Pierre Joseph Arthur Cardin.....	Minister of Public Works and Minister of Transport.
Hon. James Layton Ralston.....	Minister of National Defence.
Hon. Ian Alistair Mackenzie.....	Minister of Pensions and National Health.
Hon. Charles Gavan Power.....	Associate Minister of National Defence and Minister of National Defence for Air.
Hon. James Lorimer Ilsey.....	Minister of Finance.
Hon. Joseph Enoil Michaud.....	Minister of Fisheries.
Hon. Clarence Decatur Howe.....	Minister of Munitions and Supply.
Hon. James Garfield Gardiner.....	Minister of Agriculture and Minister of National War Services.
Hon. Norman Alexander McLarty.....	Minister of Labour.
Hon. James Angus MacKinnon.....	Minister of Trade and Commerce.
Hon. Pierre François Casgrain.....	Secretary of State.
Hon. William Pate Mulock.....	Postmaster General.
Hon. Colin William George Gibson.....	Minister of National Revenue.
Hon. Angus Lewis Macdonald.....	Minister of National Defence for Naval Services.

### PROVINCIAL REPRESENTATIVES

#### ONTARIO

Hon. Mitchell F. Hepburn.....	Premier and Provincial Treasurer
Hon. Harry C. Nixon.....	Provincial Secretary
Hon. Gordon D. Conant, K.C.....	Attorney-General
Hon. Peter Heenan.....	Minister of Lands and Forests
Hon. T. B. McQuesten, K.C.....	Minister of Highways and Municipal Affairs
Hon. Norman O. Hipel.....	Minister of Labour and Welfare
Hon. Robert Laurier.....	Minister of Mines
Hugh E. Brown.....	Chief Accountant
H. J. Chater.....	Secretary of the Budget Committee
Roy E. Elmhurst.....	Secretary to the Premier
S. J. Gadsby.....	Chief Accountant, Department of Public Welfare
E. A. Horton.....	Deputy Minister of Municipal Affairs
C. R. Magone, K.C.....	Solicitor to the Attorney-General's Department
C. S. Walters.....	Controller of Revenue

## QUEBEC

Hon. Adelard Godbout.....	Premier
Hon. T. D. Bouchard.....	Minister of Roads and Public Works
Hon. Arthur Mathewson, K.C.....	Provincial Treasurer
Hon. Wilfrid Girouard, K.C.....	Attorney-General
Hon. P. E. Cote, K.C.....	Minister of Lands and Forests
Hon. Oscar Drouin, K.C.....	Minister of Trade and Commerce
Hon. Edgar Rochette, K.C.....	Minister of Labour and Mines
Hon. F. P. Brais.....	Minister without Portfolio
Hon. Hector Perrier.....	Provincial Secretary
Rosaire Courtois.....	Clerk of Treasury Department
Leopold Desilets, K.C.....	Deputy Attorney-General
A. J. Dolbec.....	Provincial Auditor
Victor Dore.....	Superintendent of Education
Aime Geoffrion, K.C.....	
Alexandre Larue.....	Secretary to the Premier
George C. McDonald.....	
Gordon W. MacDougall, K.C.....	
Emile Morin, K.C.....	Deputy Minister, Department of Municipal Affairs
L. P. Pigeon, K.C.....	Law Clerk of Legislative Assembly

## NOVA SCOTIA

Hon. A. S. MacMillan.....	Premier
Hon. J. H. MacQuarrie, K.C.....	Attorney-General
Hon. John A. McDonald.....	Minister of Agriculture and Marketing
Hon. F. R. Davis.....	Minister of Public Health
Hon. L. D. Currie, K.C.....	Minister of Mines and Labour
A. S. Barnstead.....	Deputy Provincial Secretary
E. H. Blois.....	Director, Old Age Pensions
Dr. Allan Cameron.....	Deputy Minister of Mines
H. J. Egan.....	Department Attorney-General
George V. Haythorne.....	Secretary, Economic Council
W. V. Longley.....	Director of Extension, Department of Agriculture
F. W. Walsh.....	Director of Marketing

## NEW BRUNSWICK

Hon. J. B. McNair, K.C.....	Premier
Hon. J. Andre Doucet.....	Minister of Health and Labour
Hon. J. J. Hayes Doone.....	Provincial Secretary-Treasurer
Hon. F. W. Pirie.....	Minister of Lands and Mines
Hon. A. C. Taylor.....	Minister of Agriculture
Hon. W. S. Anderson.....	Minister of Public Works
Hon. C. H. Blakeny.....	Minister of Education and of Federal and Municipal Relations
Hon. J. G. Boucher.....	Minister without Portfolio and Chairman of New Brunswick Electric Power Commission
J. Bacon Dickson.....	Deputy Attorney-General
W. P. Jones, K.C.....	
J. K. King.....	Deputy Minister of Agriculture
H. R. Pettigrove.....	Deputy Minister of Labour
W. B. Trites.....	Deputy Provincial Secretary-Treasurer



## MANITOBA

Hon. John Bracken.....	Premier
Hon. W. J. Major, K.C.....	Attorney-General
Hon. S. S. Garson, K.C.....	Provincial Treasurer
Hon. Eric F. Willis.....	Minister of Public Works
Hon. S. J. Farmer.....	Minister of Labour
Hon. Sauveur Marcoux.....	Minister without Portfolio
John Allen, K.C.....	Deputy Attorney-General
K. C. Aseltine.....	Provincial Accountant
H. C. Grant.....	University of Manitoba
Ralph McN. Pearson.....	Deputy Provincial Treasurer
W. J. Waines.....	University of Manitoba

## BRITISH COLUMBIA

Hon. T. D. Pattulo, K.C.....	Premier
Hon. G. M. Weir.....	Provincial Secretary and Minister of Education
Hon. G. S. Wismer, K.C.....	Attorney-General
Hon. John Hart.....	Minister of Finance
Hon. K. C. MacDonald.....	Minister of Agriculture
Hon. G. S. Pearson.....	Minister of Labour
Adam Bell.....	Deputy Minister of Labour
Dr. W. A. Carrothers.....	Chairman, Public Utilities Commission
Dr. G. F. Davidson.....	Director of Social Welfare
J. V. Fisher.....	Assistant Deputy Minister of Finance
E. W. Griffith.....	Unemployment Relief Administrator
B. Hethey.....	Secretary to the Premier
J. B. Munro.....	Deputy Minister of Agriculture
G. N. Perry.....	Director, Bureau of Economics and Statistics

## PRINCE EDWARD ISLAND

Hon. Horace Wright.....	President of the Executive Council
Hon. Thane A. Campbell, K.C.....	Premier
Hon. James P. McIntyre.....	Minister of Public Works
Hon. Mark R. McGuigan, K.C.....	Minister of Education and Public Welfare
Randolph Carruthers.....	Provincial Auditor
Walter Shaw.....	Deputy Minister of Agriculture

## SASKATCHEWAN

Hon. W. J. Patterson.....	Premier
Hon. R. J. M. Parker.....	Minister of Municipal Affairs
Hon. J. W. Estey, K.C.....	Attorney-General
Hon. J. G. Taggart.....	Minister of Agriculture
Hon. E. M. Culliton.....	Provincial Secretary
W. Archer.....	Provincial Treasury Staff
G. A. Bing.....	Provincial Audit Staff
Dean F. C. Cronkite.....	University of Saskatchewan
W. W. Dawson.....	Director of Relief
S. P. Grosch.....	Chairman, Local Government Board
Thomas Lax.....	Deputy Provincial Treasurer
Colonel L. S. Sifton, K.C.....	Provincial Tax Commissioner

## ALBERTA

Hon. William Aberhart.....	Premier
Hon. Dr. W. W. Cross.....	Minister of Health and Relief
Hon. W. A. Fallow.....	Minister of Public Works, Railways and Tele- phones
Hon. Solon Low.....	Provincial Treasurer
Hon. Lucien Maynard.....	Minister of Municipal Affairs
Hon. N. E. Tanner.....	Minister of Lands and Mines
George B. Henwood, K.C.....	Deputy Attorney-General
A. A. Mackenzie.....	Commissioner of the Bureau of Relief and Public Welfare
J. F. Percival.....	Deputy Provincial Treasurer

## DOMINION-PROVINCIAL CONFERENCE, JANUARY, 1941

## GENERAL CONFERENCE

Chairman, Right Hon. W. L. Mackenzie King.

Secretary, Alex Skelton.

French Secretary, Paul Fontaine.

## COMMITTEES

*Finance Committee*

Chairman, Hon. J. L. Ilsley, Minister of Finance.

Secretary, R. B. Bryce, Financial Investigator, Department of Finance.

*Dominion Representatives*

Hon. Colin Gibson, Minister of National Revenue.

Hon. P. J. A. Cardin, Minister of Public Works and Minister of Transport.

Hon. T. A. Crerar, Minister of Mines and Resources.

Hon. Angus Macdonald, Minister of National Defence (Naval).

Hon. C. G. Power, Minister of National Defence for Air.

*Dominion Advisers*

Dr. W. C. Clark, Deputy Minister of Finance.

T. A. Brisson, Department of Finance.

A. K. Eaton, Taxation Investigator, Department of Finance.

C. Fraser Elliott, K.C., Commissioner of Income Tax.

B. G. McIntyre, Comptroller of the Treasury.

Herve Pratte, Department of Finance.

L. P. Saint-Amour, Assistant Deputy Governor, Bank of Canada.

J. C. Thompson, Public Accounts Adviser, Committee on Dominion-Provincial Relations.

J. R. Tolmie, Solicitor, Department of National Revenue.

G. F. Towers, Governor, Bank of Canada.

*Labour and Unemployment Committee*

Chairman, Hon. N. A. McLarty, Minister of Labour.

Secretary, A. MacNamara, Associate Deputy Minister of Labour.

*Dominion Representatives*

Hon. Ian Mackenzie, Minister of Pensions and National Health.

Hon. P. F. Casgrain, Secretary of State for Canada.

Hon. C. D. Howe, Minister of Munitions and Supply.



COMMITTEES—*Concluded*

*Dominion Advisers*

Dr. Bryce Stewart, Deputy Minister of Labour.  
 Gerald Brown, Department of Labour.  
 Walter Couper, Department of Labour.  
 A. E. Dubuc, Vice Chairman, National Harbours Board.  
 Harry Hereford, Commissioner, Unemployment Relief, Department of Labour.  
 Stuart K. Jaffary, Director, Department of Social Science, University of Toronto.  
 W. A. Mackintosh, Economic Adviser, Department of Finance.  
 W. E. Scott, Bank of Canada.  
 C. Stein, Department of Justice.

*Special Problems Committee*

Chairman: Hon. J. G. Gardiner, Minister of National War Services and Agriculture  
 Secretary: J. F. MacNeill, Department of Justice

*Dominion Representatives*

Hon. J. A. MacKinnon, Minister of Trade and Commerce  
 Hon. J. E. Michaud, Minister of Fisheries  
 Hon. W. P. Mulock, Postmaster General

*Dominion Advisers*

Mr. Justice T. C. Davis, Associate Deputy Minister of National War Services  
 Major-General L. R. LaFleche, Associate Deputy Minister of National War Services  
 Dr. G. S. Barton, Deputy Minister of Agriculture  
 C. H. Bland, Chairman, Civil Service Commission  
 E. Bosse, Department of Fisheries  
 J. G. Bouchard, Assistant Deputy Minister of Agriculture  
 Dr. R. H. Coats, Dominion Statistician  
 Dr. E. H. Coleman, K.C., Under Secretary of State  
 G. D. Finlayson, Superintendent, Insurance Department  
 D. B. Finn, Deputy Minister of Fisheries  
 W. E. Hunter, Department of Finance  
 D. M. Johnson, Solicitor to the Treasury  
 Y. Lamontagne, Department of Trade and Commerce  
 Dean C. J. Mackenzie, Acting President, National Research Council  
 A. M. Shaw, Director of Marketing Service, Department of Agriculture  
 L. D. Wilgress, Deputy Minister of Trade and Commerce  
 S. T. Wood, Commissioner, Royal Canadian Mounted Police  
 G. W. Yates, Assistant Deputy Minister of Transport

*Constitutional Committee*

Chairman: Right Hon. Ernest Lapointe, Minister of Justice  
 Secretary: Brooke Claxton, M.P.

*Dominion Representative*

Hon. J. L. Ralston, Minister of National Defence. (Alternate, Hon. Angus Macdonald)

*Dominion Advisers*

Dr. O. D. Skelton, Under Secretary of State for External Affairs  
 Louis St. Laurent, K.C.  
 F. P. Varcoe, K.C., Counsel, Department of Justice

SECRETARIAT

Alex Skelton, Secretary  
 Paul Fontaine, French Secretary  
 Adjutor Savard, Executive Assistant to the Secretary  
 J. J. Deutsch, Assistant Secretary

## ARRANGEMENTS COMMITTEE

Chairman: Hon. Ian Mackenzie

Secretary: Adjutor Savard

Dr. E. H. Coleman, K.C., Under Secretary of State

Dr. A. Beauchesne, K.C., Clerk of the House

L. Clare Moyer, K.C., Clerk of the Senate

J. F. Delaute, Secretary of State Department

## PRESS LIAISON OFFICERS

G. H. Lash, Director of Public Information

Adjutor Savard



## DOMINION-PROVINCIAL CONFERENCE

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HOUSE OF COMMONS CHAMBER, OTTAWA, JANUARY 15, 1941

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### REPORT OF PROCEEDINGS

The conference resumed in the Commons Chamber at 11 a.m., with the Prime Minister in the chair.

#### AGENDA COMMITTEE—INTERIM REPORT

Right Hon. W. L. MACKENZIE KING: Gentlemen, Mr. Lapointe has just asked me to have a word with you concerning the meeting which is taking place between Mr. Crerar and himself and the premiers of the provinces. They have been discussing for some little time the matters which were referred to them last night by the conference, but they feel that they would like to have further time before reporting back to the conference.

I asked as to the length of time they might require, but it was not possible for Mr. Lapointe to give me any assurance as to how soon the committee would be in a position to report. I gather that it would perhaps be best for this body to adjourn until half-past two this afternoon. That will relieve those who are working together at the moment of any sense of pressure with respect to the matters they are discussing, and would ensure our being able to receive a report at half-past two.

If that meets with your approval, I will declare the conference adjourned until half-past two this afternoon.

The conference adjourned until 2.30 p.m.

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JANUARY 15, 1941.

#### AFTERNOON SESSION

The conference resumed at 2.50 p.m.

Right Hon. MACKENZIE KING: I would ask Mr. Lapointe if he has a report to make from the agenda committee.

#### AGENDA COMMITTEE'S REPORT

Right Hon. ERNEST LAPOINTE: Mr. Prime Minister, my colleague Mr. Crerar and myself met this morning to fulfil the task entrusted to us yesterday. In the first place it was unanimously decided that all the proceedings of the conference and of any committees should be public.

As to the appointment of such committees I have to report a difference of opinion. Six premiers were in favour of appointing committees for the purpose of considering and discussing the recommendations of the Rowell-Sirois report, whatever their final attitude might be as to the adoption of the

recommendations. Three premiers declared that they would refuse to sit on committees for the purpose of considering and discussing matters predicated upon the Rowell-Sirois report, as they were opposed to it on principle. So no committee was recommended to be appointed.

The suggestion was made that the Minister of Finance (Mr. Ilsley) might be asked to make a statement before the conference on the whole financial situation. But this, of course, is for the conference to decide.

Right Hon. MACKENZIE KING: Gentlemen, you have heard the report from the committee. It contains one suggestion, namely, that the Minister of Finance should make a statement to the full conference on the financial position of Canada, and that appears to have been generally agreed upon. If it is the desire of members of the conference that that statement should now be made, I will call upon the Minister of Finance to make it. Before doing so, however, I should be glad to hear from any members who may wish to comment upon the remarks of Mr. Lapointe.

Hon. Mr. PATTULO: I think we should all be glad to hear from the Minister of Finance. In regard to the discussion in our meeting this morning, I may say that the premiers of Ontario and Alberta and myself are opposed to the formation of any conference committees based upon the report of the Rowell-Sirois Commission.

Hon. Mr. ABERHART: But that does not mean that we are not ready to discuss the whole case in its widest aspects, and all the problems that we have as between the dominion and the provinces.

Hon. Mr. PATTULO: That is all right if anyone wants to bring it up, but it is not to be on the basis of the report.

Hon. Mr. HEPBURN: I do not know that I can clarify the situation any further after the explanations of the other two sinners with whom I happen to be associated in this connection. But we are opposed on principle to implementing the Rowell-Sirois report, and being opposed to it on principle I do not see any purpose in going into committee to discuss details predicated upon the report itself.

We did say, though, that we are willing, although it is trespassing on the time of the government whose time should be fully occupied in the prosecution of the war, to stay here and discuss anything that has to do with the prosecution of the war itself.

As far as the proposed statement by the Minister of Finance is concerned, I do not recall that it was agreed upon by myself, certainly not in fact, to have the Minister of Finance make a statement and then conclude these deliberations. If the Minister of Finance should make statements of a controversial nature we reserve the right as representatives of Ontario to reply to such statements.

Right Hon. MACKENZIE KING: Gentlemen, I do not think there is anything I need say at the moment in reply to my friend Mr. Pattullo.

To Mr. Aberhart I would say that the conference was called to consider the report of the commission. That is its purpose, and I think we have to hold to that purpose. In saying that, however, may I make it quite clear that if there are matters that members of provincial governments, either together or as individual members would like to discuss with my colleagues and myself while they are here in Ottawa, we shall welcome the opportunity of such discussion. I think advantage should be taken of the presence here of so many premiers and members of provincial governments to discuss matters of mutual interest.

But so far as this conference itself is concerned, Mr. Aberhart I am sure understands that this is a conference to consider the report of the commission, and if that is not to be the subject of our further discussions at this meeting I think they would have to proceed apart from the conference itself.

[Mr. Lapointe.]



To Mr. Hepburn I would say that if the Minister of Finance should make any statements which are of a controversial nature or of a character inviting comment, I certainly think that he or any member of his delegation who may wish to speak on his behalf should be perfectly free to reply to the Minister of Finance. But the same privilege should be accorded, of course, to the other premiers who are present at this table.

If that is agreeable I would call on Mr. Ilsley to make a statement.

#### STATEMENT BY THE MINISTER OF FINANCE

Hon. J. L. ILSLEY (Minister of Finance): I am not just sure whether it is understood that I am to keep off any controversial ground?

Right Hon. MACKENZIE KING: Oh no; go ahead.

Mr. ILSLEY: I hope anything I may say will not prove to be controversial, but in the light of the views held and already expressed by some members of the conference it may be that some of the points I make may be considered so.

Listening to Mr. Lapointe as he made his report from the committee, I gathered that it was expected that I would make a statement at this conference as to our financial situation at the present time. I am not prepared to do that this afternoon, as it would involve the preparation and presentation of up-to-date figures, which I have not with me and which it would take some hours, perhaps some days, to get. I may say, however, that I have presented to parliament financial reports, so to speak, on two occasions during the past year, once in July and once in November. The last statement of the financial position of Canada was made less than two months ago, and therefore is fairly up-to-date.

This afternoon I have with me some notes which I had intended to use if the finance committee had met and if I were chairman of that committee, as I had expected to be. I shall follow those notes, not at all closely, but keeping in mind the changed circumstances under which they are being used.

It occurred to me that much of the discussion yesterday revealed little understanding of the full financial implications of the war programme to Canada and to the provinces and to the people of Canada. Our war effort is planned definitely and deliberately on the basis of the maximum war effort of which Canada is capable. That is the wish of the people of Canada; that is what the provinces through their premiers asked for yesterday. It is what we want; it is what the people want. But it means violent changes in our economy and our daily lives if we are to put forward our maximum effort. It means far more than we can just do comfortably, far more than "business as usual," or government as usual. It means expenditures of simply colossal proportions, and those expenditures cannot be taken care of by any financial magic; they must be borne by the taxpayers of all the provinces of Canada.

Let us take just a few figures. In the current year we estimate our war expenditures to be about \$850,000,000. To-day they are running at the rate of a billion dollars a year. The expenditure in the month of December was, if my memory serves me rightly, about \$84,000,000. That is on war alone. A billion dollar expenditure in one fiscal year is about twice the size of our largest total peace-time budget, and larger than the combined peace-time total of all the governmental expenditures in Canada—dominion, provincial and municipal. And that figure takes no account of the assistance which we are giving to the United Kingdom by way of repatriation of securities. That figure will not be less this year, it is thought, than \$300,000,000 and perhaps it will be more than that.

If to the total of our war expenditures and the amount that we have to raise for repatriation, we add the non-war expenditure of the dominion and as well the expenditures of the various provincial and municipal governments, we get an aggregate which will run from forty-five to fifty per cent of the total national income.

Now that is a fact that we must face. My worry is that we as Canadians have not as yet begun to face it with the proper degree of realism. I appreciate the cooperation that we have so far received from the provinces and I want to mention in particular the cooperation from the province of Ontario.

The figures I have given will, I think, indicate that cooperation may have to be considered in far more fundamental terms.

With regard to the commission's report there were, I think, two or three evidences of misunderstanding yesterday which I think I should try to clear up. An argument was made that assumption of provincial debts by the dominion government would give enormous windfall profits to bond speculators. That overlooks the fact that the commission foresaw this point in its report and made a definite recommendation for safeguarding from the danger of windfall profits by a capital gains tax or a transfer tax on the first sale. That will be found on page 82 of the commission's report. Now, whether the remedy that is suggested by the commission is adequate or not, whether it goes far enough or not, is a matter that can be considered at the time of the assumption of the liability by the dominion government. If the dominion government assumed this liability, the amount that it pays to the holders of the bonds will depend upon various factors: upon whether they are called, when they are called, the terms on which they are called, and whether the calling is accompanied by a capital gains tax or a tax on the first transfer. The public has certain assurances in addition to any assurance that I might give on that point. The assurances are these: first, the tremendous necessity of the dominion government for revenue; and secondly, public opinion—the public opinion of the country and the public opinion of parliament. I think I can assure any persons who are interested in this matter—and everyone should be interested in this matter—that there is not the slightest intention, if this load of public debt of the provinces were assumed, to permit speculative windfall profits. The public opinion of the country would not stand for it.

With regard to some statements that have been made, I find myself surprised. One of the Ottawa papers, the *Ottawa Citizen*, this morning estimated the windfall profits and capital gains on the value of the bonds, if they were taken over, at \$100,000,000. I am not saying anything about the accuracy of that figure—I have not checked it—but I do not think it is accurate. In all probability it is not at all accurate or near the amount. But I do want to say that if that figure were accurate, and the dominion took that amount in capital gains tax, we would have at one stroke of the pen as much money, approximately as much as about 25,000 voluntary workers are going to be able to get from the people of Canada in the form of war savings certificates during the present year. So that anyone who says that this report has no war-time significance, or that the steps that may be taken under this report have nothing to do with the war, is mistaken as is shown by that one illustration I have given.

There was another misunderstanding yesterday—I think it is a misunderstanding—and it is this. The argument is advanced that after the adoption of Plan I, the provincial tax base will consist primarily of liquor profits and gasoline and motor taxes, and will thus be precarious. To me that argument seems to overlook two facts. The first is that the report itself places more responsibility on the dominion, if Plan I is adopted, to safeguard the revenue sources left to the provinces; and the other fact overlooked is that if the report is not adopted, the existing provincial tax system may be even more precarious, in relation to existing provincial liabilities, because of steps which will have to be taken by the dominion to finance this war.

There is one other misunderstanding, as I have called it, to which I wish to refer and which was mentioned by Mr. Pattullo. His argument was that under this report the provinces are to be curbed. Curbed is not the proper word. What is desired is to put each government in Canada in a position to stand

[Mr. Hsley.]



on its own feet and carry its own responsibilities effectively and independently. It is inability to meet their obligations and responsibilities that is the great menace to provincial autonomy and independence.

There has been some talk of sectional cleavages and sectionalism, and so forth. I am not very old, but in my lifetime I have noticed a great change in public opinion in Canada as to what creates cleavages. The old racial divisions and religious divisions, if they existed, have not anything like the significance now that they had a good many years ago. The divisions that arise in the Dominion of Canada to-day are economic divisions, not racial and religious divisions; they are due to trouble between various classes of society, between various occupations and various industries, and such trouble is economic; it is not racial or religious; and it is to try to eliminate the danger of those cleavages and that kind of sectionalism that we give our support to the adoption of the recommendations in this report.

I think, Mr. Prime Minister, I should now give a few of the reasons why as Minister of Finance, charged with the responsibility of arranging for the financing of this war, I think it is necessary to adopt now either Plan I, or some better alternative if such can be devised. The four reasons appealing to me with persuasive force are these:

First, the necessity of having a Canadian tax system which will enable us to distribute the burden as fairly as human ingenuity can devise over the people of Canada as a whole, whatever region they may live in or whatever economic class they may represent—and fairness in taxation means, in my opinion, “in accordance with ability to pay.” The war burden cannot be distributed fairly so long as the provinces occupy the progressive fields of taxation and use them in such a way as to produce a tax system with varying rates of burden and of incidence in different provinces, and with inevitable conflicts, overlapping, duplication and needless expense and waste. This is not a new theory; this is not a new idea at all. My colleague, the present Minister of National Defence, Mr. Ralston, in his budget speech which he delivered in June last said this, and he said it in a way better than I can say it:

In establishing the new rates, we have been limited by two insistent considerations. . . .

The second consideration is that the dominion is not the only taxing authority levying steeply graduated rates on large incomes. Every province in Canada, except Nova Scotia and New Brunswick, now levies income taxes and in certain cities taxpayers must pay municipal income taxes as well as provincial income taxes. Ontario, Manitoba, and Prince Edward Island are the only provinces which allow, as a deduction from income, the tax paid to the dominion. All these authorities tax at different rates. This means that unless we are prepared to be entirely arbitrary and unfair and to set up schedules of rates which when added to the rates imposed by other taxing authorities would be nothing short of fantastic, the dominion must, in fixing its schedule of rates, take cognizance of the highest schedule of rates effective in any province. This is but an instance of the chaotic situation in the fiscal systems of Canada to which the Sirois report has drawn attention and which, I regret to say, appears to be getting worse rather than better.

A table is given on page 1117 of *Hansard*, which very vividly indicates the point Mr. Ralston was making.

The dominion has tried to add its own levies on top of this existing jumble of taxes and to do it with as much fairness as possible. But under present conditions it simply cannot be done. As long as the present division of tax sources persists, the dominion simply cannot distribute the war burden as fairly and as equitably as the situation calls for.

Nor can it get out of the tax system the maximum that we should get out of it to finance this war to the maximum—without undue waste.

The war has produced vast distortions of our economy, creating fortuitous gains in some areas or for some classes, and fortuitous losses in other areas. Under the present confused tax system, any reasonable degree of equity in tapping those fortuitous gains or alleviating those fortuitous losses is clearly impossible.

Perhaps our inequitable, cumbersome and wasteful tax system was one that could be borne in peace-time when total governmental expenditures took only, say, one quarter of the national income. But the inequities and the wastes and the conflicts become infinitely more intolerable when for war and other governmental expenditures, governments try to take almost half of the national income.

The second reason is this: the necessity of avoiding the adverse effect on our credit, and on the financing of the war, of any financial difficulties which certain provinces may face as a result either of general economic conditions in their areas or of the measures which the dominion may be forced to take in order to prosecute this war effectively.

The third reason is the desirability of establishing and maintaining under present conditions minimum national standards—minimum standards of decency and justice in all parts of Canada.

That is a war aim in itself, I submit. People ask us what kind of country is it that we are fighting for? What are the conditions that we say are superior and that we are waging this war for? We have an acute responsibility, a weighty responsibility there to see to it that minimum standards are created and preserved for the mass of our people wherever they are in Canada; and all must have responsibility for all other Canadians in that regard wherever they are in Canada.

The fourth reason is that we must prepare now for the problems of the post-war period. They will be many and difficult, and Canada cannot afford to sit back and wait for these problems to come with a governmental system which has proved itself inadequate to cope effectively with the similar but far less important problems of the last ten depression years.

We cannot afford to wait and then suddenly, be faced with those problems and have to tackle them overnight with ad hoc improvised solutions. When they come upon us, they will come suddenly, and yet the reform of our governmental machinery which we all recognize as necessary cannot be brought about suddenly. It will probably take longer to secure then than now. The solution of these problems will require an efficient organization, for instance, of unemployment assistance offices, and to build that up takes time.

I want to remind you, Mr. Prime Minister, that even with London burning Mr. Churchill has recently assigned one of his colleagues to head a cabinet committee of ministers to plan now for the problems of post-war reconstruction.

If Plan I or a better alternative is not adopted, I fear that the dominion will be reluctantly forced to take measures which will adversely affect provincial revenues.

I realize that it is a delicate matter for me to stand here and say that if we do not adopt this report, or if we do not do something, the dominion government will likely have to do something. That is open to misinterpretation. It is open, of course, to the charge that the government is threatening, or doing something of that sort. On the other hand, there has been quite a demand from the members of the conference here for some indication of what we may find ourselves obliged to do. I have given it some thought and I believe it would be better to give some indication—not definitely at all, because we do not know what will develop from time to time—to this conference than it would be after the conference, or a little later perhaps to come on with these measures, leaving us open to another misinterpretation should the conference fail, as it may fail, I take it, in its main object. So at the risk of some misinterpretation of what I am about to say, I am going to give a little indication of what we may be compelled to do in order to get the necessary means of carrying on war and other expenditures.

[Mr. Ilsley.]



The dominion I anticipate will undoubtedly have to invade provincial tax fields such as succession duties. I think it will have to increase its rate in such fields of progressive taxation as the income tax; and if we do this, or either one of them, it will mean a curtailment of provincial revenues.

The dominion, I think, will not be able to provide the provincial governments with forty per cent of the cost of unemployment relief, which it is providing at the present time. The dominion, it must be remembered, is now pretty well providing for all the employables by providing war jobs for them. There has been a tremendous increase in the number of those employed in Canada, and it will not be very long—it will be a very short time indeed—before full employment of all employables is reached as a result of dominion government expenditures, and in view of that it would I think be unreasonable to expect this government to contribute the forty per cent which it has been contributing towards the relief of the others who are unemployed.

The dominion cannot undertake to make advances to the provinces in order to enable them to meet maturities or to assist them in any difficulties resulting from measures taken by the dominion. I do not say that the dominion "will" not do it, but the dominion cannot undertake to do it, in view of the magnitude of her other obligations. The dominion may be forced to ration gasoline, and so reduce revenues from gasoline sales and automobile licences.

I have gone over some—I think all—of the steps that the government of the Dominion of Canada may from time to time be compelled to take—unless indeed the war ends at a very early date. I am doing that, as I say, so that there will be no misunderstanding. I have mentioned some of the measures which the government may be forced to take. We shall do it reluctantly, but do it we will, if necessary to win this war.

There is no question of the urgency of some such measures if our Canadian democracy is to prove itself sufficiently efficient to meet the menace of the totalitarian states.

There is no question of our power to do the things that are necessary. Under the British North America Act our taxing authority is not limited. Under the War Measures Act we may do what is necessary as a war measure. But we preferred to call this conference and to try to reach by agreement a satisfactory solution of the problems that Canada faces. We tried to do it in the democratic way. It is wholly unfair to accuse us of lukewarmness in our support of this report because we went about the matter decently instead of with the big stick. We are not lukewarm in support of the report nor of its recommendations. We believe it is the best solution yet devised for the solution of our problems, which are problems of staggering magnitude. If the conference has any other suggestions for the solution of these problems they should, I respectfully submit, certainly be made and made now.

Right Hon. MACKENZIE KING: Mr. McQuesten is going to speak on behalf of the government of Ontario.

#### STATEMENT BY HON. MR. McQUESTEN

Hon. Mr. McQUESTEN: Mr. Prime Minister and gentlemen, before this conference dissolves, the province of Ontario would like to place before it its financial position with regard to the effects of the Sirois report on the province's finances.

Perhaps I might properly preface what I have to say to-day by referring to two points touched upon by the Premier of Manitoba (Mr. Bracken) in the presentation of his argument before the opening session of the conference yesterday. Hon. Mr. Bracken made what I might call an earnest plea to the delegates of this conference, and particularly to the Premier of Ontario, to consider the attitude taken by the late Hon. George Brown at the various conferences leading up to confederation. In bringing Mr. Brown's name into

the conference he has suggested that Mr. Brown very properly forgot his own personal feelings in the matter and joined hands with Macdonald and others in shaping confederation as expressed by the British North America Act.

I consider it rather an unfortunate choice of argument to ask that the Premier of Ontario emulate Brown. I hold that in taking the attitude he has, Hon. Mr. Hepburn has been but living up to the traditions of Brown, and has defended and upheld all that Brown stood for, and is safeguarding the rights and responsibilities vested in the separate provinces by confederation. I prefer to support and adopt the material structure which was created by Brown, rather than attempt to interpret its spirit, as Mr. Bracken has purported to do. If Mr. Bracken's argument were to prevail, history would be degraded, our ideals shattered, and the names of our public men cast into the ossuary of time.

Mr. Bracken was on better ground when he advanced the idea that provincial autonomy, without adequate revenues for discharging the functions of government for which provinces are responsible, is but little more than a farce. To put the same idea in another way, without fiscal independence there can be no provincial autonomy.

I am prepared to-day to review the financial history of the province of Ontario, particularly relating to the years since the present government has been in charge at Toronto.

Briefly, let me state that we have followed since the 1st of April, 1936, a sound financial policy, as shown by our budgetary position. In 1936-37, 1937-38, and 1938-39 we had balanced budgets. This year we are promised by our premier who is also the provincial treasurer, a balanced budget, a surplus and a reduction in debt.

This wholesome and enviable budgetary position has placed us in a position to carry out a policy of assistance to the 900 municipalities which form the local government administrations of Ontario. For example, the province has assumed the entire capital cost of construction of our great highway system, the financial burden of which formerly rested in part upon the municipalities. The province also contributes in various ways toward highway construction expenditures by municipalities.

In matters of public health, Ontario has made great strides and has, since this government took charge, at an annual cost of millions of dollars, assumed the entire burden of the care of indigent tubercular patients. Public health in Ontario costs the province of Ontario a sum exceeding \$900,000 per month.

Then, in exchange for the income tax, which was formerly collected by a few of the 900 municipalities, we have substituted a provincial income tax, and have assumed the entire cost of the share formerly borne by the municipalities of old age pensions and mothers' allowances.

The annual cost to the government of Ontario for old age pensions, as represented by the present fiscal year, amounts to three and a half million dollars. This includes the province's share of pensions for the blind.

The annual cost to the province of mothers' allowances this year will exceed the sum of five and a quarter million dollars. All of these items—that is, old age pensions, pensions for the blind and mothers' allowances—are annually increasing in amount. I quite agree with the estimate made by prominent actuaries that they will continue to increase for the next fifty years. It is difficult at this time to estimate the final limit of the cost of these three social services, which, as you are aware, were never dreamed of by the Fathers of Confederation.

We also pay to the municipalities an annual subsidy of one mill, based on the general assessment of the municipalities, and this amounts in round figures to the sum of three million dollars per annum.

[Mr. McQuesten.]



Another function of government that is growing annually is education, and it is estimated that for the present fiscal year the province will spend upwards of thirteen million dollars.

One of the services that has cost enormous sums during the past decade is that of the cost of relief. Under the present basis of contribution the dominion pays 40 per cent of direct relief costs, excluding medical services. Including medical services the dominion contribution is 38 per cent of the total expenditure. For the present fiscal year, that is, the period ending March 31 next, relief will cost Ontario the sum of ten million dollars. Of this the dominion's share will be \$3,800,000, the provincial share \$4,300,000, and the municipalities' share \$1,900,000.

Estimating the cost of relief for the fiscal year which begins April 1, 1941, calculated on the present basis of sharing the cost of relief, and estimated from the best available information, the relief picture in Ontario will be represented as follows:

Dominion share.....	\$2,555,000
Provincial share.....	2,892,000
Municipal share.....	1,278,000

If the Sirois basis be adopted, for the fiscal year 1941-42 the cost is estimated as:

Dominion share.....	\$ 566,000
Provincial share.....	4,927,000
Municipal share.....	1,232,000

Thus it will be observed that by adopting the Sirois basis the dominion would enjoy a saving of \$1,989,000, while the province of Ontario would be called upon to increase its expenditures by the sum of \$2,035,000, and the burden of the municipalities would be practically the same as under the present plan, the difference being less than \$50,000. The officers of the treasury and welfare departments are here, and are supplied with all details with respect to relief figures, and in fact other relief figures, and we are prepared to discuss these matters in detail if and when required.

At this juncture I desire to make a statement with respect to the estimated saving or gain to the province of Ontario, as contained on page 96, Book II, of the recommendations of the Sirois commission.

The estimated savings or gain to the province of Ontario, on the 1937 base, is \$5,326,000 per annum. But a careful analysis of the figures indicates that instead of a gain of \$5,326,000, the actual net loss to the province for the 1937 period would be \$6,432,000. Thus it will be seen that the information given on page 96 of the Sirois report as to the expected improvement in the financial position of the province on the 1937 base is inaccurate and not in accordance with the findings of the treasury department of the province of Ontario. This inaccuracy amounts to the large figure of \$11,758,000. The reconciliation of these amounts is available and can be explained by the technical officers of the treasury department.

With respect to the present fiscal year, the situation is infinitely worse. If the Sirois plan were adopted and made effective for the present fiscal year, which ends on March 31 next, the province of Ontario would be faced with a certain net loss in revenues of the sum of \$17,000,000. This for the present fiscal year alone.

The province will be required to give up annual revenues of...	\$40,000,000
Deduct from this, expenditure assumed by the dominion, and the one mill subsidy to the municipalities, which could not longer be paid, a total sum of.....	23,000,000
Leaves a loss of.....	\$17,000,000

One of the first results of this loss in revenue, brought about by the giving up of the succession duty taxes, would be the loss in revenue to the University of Toronto of the sum of \$500,000. I would refer you to the Revised Statutes of Ontario (1937) chapter 372, section 129, which is the statutory authority for payment from the proceeds of succession duties to the University of Toronto in the sum of \$500,000 per annum.

But that is just one indication of what the loss in revenues would mean to education in our province. Education in Ontario would be set back fifty years. This would apply particularly to the "little red school house" and to the struggling separate schools, which under present conditions require the same as public schools—annual grants from the provincial treasury.

The splendid work done by the department of health of Ontario in waging a successful fight to stamp out the menace of tuberculosis, which fight is being conducted at an annual cost to the province of upwards of \$3,000,000, could not be carried on, unless revenues from some other source were forthcoming.

This would involve some new type of taxation, but inasmuch as taxes on estates, taxes on incomes, taxes on corporations, and taxes on mining profits, would no longer be available to the province of Ontario, any additional burden of taxation required to raise revenue to continue a reasonable standard of education would inevitably fall upon real estate—upon the farmer, the home-owner and the business man.

I also bring to your attention the fact that municipalities of the province of Ontario will suffer for the present fiscal year by the implementation of the Sirois report, the loss in revenue exceeding \$5,000,000.

Now, if you will add the net loss in revenue to be sustained by the province of Ontario of \$17,000,000 to the \$5,000,000 certain loss to be sustained this year by the municipalities of Ontario, you have the enormous sum of \$22,000,000—net loss to the province and the municipalities.

This, Mr. Chairman, is only the beginning. These losses are bound to increase, because the functions of government left with the province are, from their very nature, increasing in their burdensome character, in so far as the need for revenue is concerned.

No one conversant with the problems of public finance that beset the provinces and the municipalities in Canada to-day will attempt to deny that the burden on real estate at present has reached a point where it is difficult for the farmer to meet his rates and taxes; it is discouraging for anyone to attempt to build a home; and, in fact, daily in Ontario discouraged home-owners are attempting to salvage something from their equities, and are parting with their homes, which represent in large measure their only life savings.

The real estate owner to-day, who can barely raise the amount of his taxes, will find that for every dollar of taxes he pays to-day in Ontario he will be called upon next year to pay \$1.20. And this under war conditions, where the cost of living is already mounting, and is, generally speaking, ten per cent higher than it was at the outbreak of the war.

As the Prime Minister has said, "You leave us with the expensive functions of government".

And I hold that the figures I have submitted prove that we will have insufficient funds to discharge these functions of government, that health and education in particular will suffer, and the standard of living of our citizens who are in the class of what might be described as the lower economic scale will be akin to a condition of servile dependency.

Now, Mr. Prime Minister, I have finished with my presentation of the financial effect of the report as it appears to this province, and I am authorized on behalf of the premier of the province of Ontario, the Ontario delegation,

[Mr. McQuesten.]



and the people of the province, to announce that our association with this so-called conference is over. Some other members may take this opportunity to present their reply to the financial address of the Hon. Mr. Ilsley, and to withdraw as we are doing. We leave it to the rest of the members to continue their efforts to do what we are bound to say would result in wrecking confederation, as we understand it, and in destroying provincial autonomy and rights. We are returning to our business, and our final word to the dominion is that word with which we opened: If the dominion decides to prosecute the war on a basis of cooperation we shall be ready, as we have always been in the past, to cooperate in every known way and to throw the full weight of our great province into the dominion's war endeavour.

#### STATEMENT BY HON. MR. HEPBURN

Hon. Mr. HEPBURN: May I add a word, having in mind that my colleague has indicated that we are about to retire by reason of the fact that, as the Prime Minister has said, anything that may be done in the future must be predicated upon the acceptance of the Sirois report, to which we have properly taken objection from our point of view.

The Minister of Finance (Mr. Ilsley) has said that he is neither threatening nor warning but is merely indicating that the fiscal policy of the dominion will have to be revised in such a manner as to affect the present sources of revenue of the provinces. We are not objecting to that. I said, and I repeat, that we have been ahead of the dominion in our effort to prosecute this war. I say to the dominion: "We are not behind you; we are ahead of you, and if you want to do something as a war measure, go ahead and do it. But don't smash this confederation and stir up possible racial feud in your efforts."

My friend made reference to a remark that appeared in one of the Ottawa newspapers in regard to the rich harvests that lie in wait for those who are holders of bonds of the western provinces and possibly the municipalities of Quebec, which bonds have depreciated in value. The Ottawa newspaper in question is rather mild in its estimate. The *Toronto Star* in its latest issue indicates that the appreciation might total, not \$100,000,000, but \$200,000,000. Yet the Minister of Finance suggests that by some method of finance he will tax that appreciation. By a simple twist of the hand and the wrist he will make \$100,000,000 on the revision, and he will do it in a manner that I, as treasurer of the province, cannot see or understand.

I say that unless there is a transfer he cannot tax this appreciation. If that is the way in which we are to finance the war, then I say let us go in for such finance on a big scale. Let me sell bonds at \$50 bearing interest at six per cent, 50 per cent to be paid into the treasury of Ontario, the dominion taking the bonds at par and taxing the appreciation. If that is not funny money I do not know what is. Beside it, the theories of my friend from Alberta pale into insignificance. It is one of the most ridiculous arguments that I have ever heard from a responsible public man.

You must differentiate on the report as to whether it is a peace or a war measure. It is a peace measure, but it is cloaked in the garments of patriotism, and wrongly so. If you want to do things to-day you can go ahead. I know the amount of detail that is involved in the administration of corporation taxes and succession duties, and I can assure you that the Succession Duties Act is hard to administer. But the province of Ontario, in its financial record, has shown itself capable of doing as good work as the dominion, and evidence of that may be found in the fact that our bonds are on a parity with those of the dominion.

My hon. friend the Minister of Finance blows hot and cold in regard to the so-called stable taxes left the provinces. In one breath he says that his

proposal will have no effect on our revenues from gasoline, which constitute one of the chief sources of revenue of the province, and in the next breath he speaks of the possibility of the rationing of gasoline. That is what I am pointing out, that there is no stability in taxation left to the provinces, and, as my friend from Alberta said, the social services of Canada in the future must be kept in mind. But we are doing something from which we may not be able to recover; we are moving in a direction from which we may not be able to retrace our steps, and we shall be left in the hands of a bureaucracy to be established in Ottawa, a bureaucracy which is criticized from one end of the country to the other. I myself will not sell my province down the river for all time to come, and allow our social services to remain a victim of the dictatorial methods of a bureaucracy to be set up in Ottawa.

There is no doubt that we are only on the fringe of the problem of financing the war. We have to get away from the orthodox system of money, and we might as well come to it now. But you will not attain that objective by scrapping the constitution. Let us tackle the thing in a big way, as suggested by my hon. friend from Alberta. Let us set aside this Sirois report, the product of the minds of a few college professors and a Winnipeg newspaper man who has had his knife into Ontario ever since he was able to write editorial articles appearing in the newspaper.

If you want to prosecute the war on a basis of cooperation with the provinces we are prepared to cooperate; but if the Prime Minister insists that everything has to be predicated upon the principle of a report to which we object, then there is no alternative open to my colleagues and myself but to withdraw and to leave these wreckers of confederation, under the guise of patriotism, to continue to carry on their nefarious work.

Right Hon. MACKENZIE KING: Do any of the other premiers wish to say anything?

Hon. Mr. PATTULLO: I do not wish to enter into a long discussion with the Minister of Finance, but I would say that the very measures which he indicates will have to be taken by the government should this report not be implemented will have to be taken by the government if it is implemented. There is no question at all about that.

If you look at the Rowell commission report you will find it stated there quite clearly, as it is in the brief I submitted to this conference, that the immediate effect would be adverse to the dominion government. I say this, that all the surplus that might be obtained by the dominion government by way of revenue, over and above the revenues which it will receive, will create a result which will be adverse to the dominion. According to the commission, if there is a surplus, it will be sufficient to carry on the war for only thirty days or so.

Even though this report is implemented you will have to adopt in any case the measures which the minister says will have to be adopted. Mr. Hepburn mentioned the rationing of gasoline which the minister said would have to be put into effect unless this report were implemented. Does the minister mean to tell us that he will not have to ration gasoline if this report is implemented? Will he guarantee that there will be no rationing of gasoline if the report is implemented?

Hon. Mr. ILSLEY: I did not say that. I said that we would have to compensate in that event.

Hon. Mr. PATTULLO: Where are you going to get the money? I am making this statement to the dominion government for the province of British Columbia. If the dominion government had not entered our field of taxation, British Columbia would never have had to borrow one dollar. British Columbia entered the income tax field in 1876. The dominion government did not enter this field

[Mr. Hepburn.]



until 1918, when Sir Thomas White, then Minister of Finance, stood on the floor of this chamber and said that he regretted very much the necessity of taking such action. He said that it was intended as a temporary measure. I am sure that Sir Thomas White will not mind my saying that when I was talking to him on one occasion he told me that he was afraid it would be a federal tax for good. Those of us who have been trying to protect provincial rights, and trying to build up a strong province so that we may have a strong dominion of Canada have been actually accused of being unpatriotic and insolent because we dared to say that the income tax should be maintained as a provincial tax. Perhaps I might give an illustration. It is like someone coming into a well-larder'd pantry and taking everything and then saying, "You have no right to complain, this is ours." That is the position in which we find ourselves.

I would rather have the dominion government take any action, and I invite them to do so, for the prosecution of this war, than to have them take away those rights which we have in perpetuity—for that is what it means. We know that the provinces will be circumscribed in every possible way. What chance would we have if we came down here to make representations to have the income tax given back to us? None whatever.

The minister says that in Canada we need to get down to a common level. It is admitted by everyone, including Mr. Bracken, that there are five economic units in Canada.

We in British Columbia have no objection to the dominion government giving assistance to another province at any time without consulting us. When British Columbia came to Ottawa to discuss a problem having to do with our province and with the dominion of Canada—and undoubtedly the problem had an effect upon the rest of Canada—I did not feel that we came here as beggars. Do you think that we came here with any pleasure beyond that of meeting our friends? We did not want to come to Ottawa. Why did we come? The dominion government, because of the exigencies of the last war, found it necessary to impose an income tax, and that action precluded our province from developing in the way it should have developed. Because of unemployment relief and other matters we were compelled to borrow money from the dominion government.

I maintain, and the Purvis commission maintained, and the Sirois commission maintained, as I believe the Ottawa government also maintains because it is willing to accept these findings, that the unemployment problem is primarily a function of the dominion government and does not belong to the provinces at all. That is the real situation. I do not want to delay matters longer. It is all right to say that we still have control of our social services and all that kind of thing, but the practical effect of it all is that we will have no opportunity to expand.

We want to be left free to act. We are beyond the Rocky mountains, and some people in eastern Canada say that we are too far west. Would you like to hear that from responsible people? Yet that is what is actually being said. We have difficulties to-day, and we will have them again in completing our financing. Our province is in wonderful shape to-day—no question about that. We are paying one hundred cents on the dollar, but we do not want to be hogtied and hamstrung, and that is exactly what will happen if this report is implemented.

I do not believe we are going to gain anything by going into committee on the Sirois report. I rather like the suggestion of the prime minister. I was going to suggest that our province would be only too glad to have our ministers take up with the dominion government these problems in a practical fashion and have them tell us just what they want us to do. But we should not be tied down in perpetuity; we should not be circumscribed in our future development.

## STATEMENT BY MR. ABERHART

Hon. Mr. ABERHART: Mr. Prime Minister and gentlemen, I do not think I can add a great deal to what our friends Hepburn and Pattullo have said in this connection. What I gathered from the minister's statement is that the dominion government is going to need a lot of money. They will need that money whether we have this done or not. I cannot see what will be gained in an abnormal time like this by rushing at once to change the whole order of things, when the basis of the order of things has nothing whatever to do with the situation. It is an economic question, as he has admitted already. It is not a political question, so what is to be gained by trying to change the constitution of the country when a change in the constitution will have nothing whatever to do with the present circumstances?

I was raised on a farm and I would just as soon believe that my father would go out to paint the pump in order to make the water in the well good, as I would believe that it is necessary to change the constitution in order to solve an economic problem. We must get to the source of the trouble, and we never will get anywhere by taking that action. I do not want to enter into the question of financing. Mr. Hepburn gave me a little dig on the side when he was speaking, but I have a theory about this thing. I think you will have to try it before you get through, whether you want to do it or not. We are going to have to face this thing. As far as I am concerned, we ought to fight this war through to the finish. Democracy is too great a thing to sacrifice. Our personal liberties are too precious to be regimented by dictators, by those who do not understand Christian principles. I say to you that we will have to fight this war through to the finish. I am quite sure that the Minister of Finance cannot raise the money he will need by the means he is talking about.

We have been asked to come here on this occasion to change our constitution for no purpose whatever. I do not know what our people in the west are going to think. I told you yesterday how the news is flying like wildfire through the country. If you get that approved the people will be asking, "What is the use?" There is a need to fight this thing through. I do not believe that we can tolerate that sort of thing. I have no axe to grind, but I do want to protect the common people who are suffering to-day.

As I said yesterday, I would rather see our boys and girls have an education, I would rather see our people raised in health than have the bondholders paid interest on their bonds. That is my position. As has been said already, it is going to be very unfortunate if we have come down here from Alberta for the purpose of discussing this question and trying to help to get the thing solved if the matter is going to be ended by this process of holding us down to one little question of constitutional change, or nothing—we shall simply have the whole thing set aside. If the Minister of Finance thinks it is his business to go ahead and take away all the money from the provinces, then that is up to him. He will have to answer to the provinces, not to me. I believe that is all I have to say in the matter.

## STATEMENT BY HON. MR. GODBOUT

Hon. Mr. GODBOUT: Mr. Prime Minister, I think it my duty at this moment to make clear the position of Quebec. I said yesterday, and I repeat to-day, that we came here with an open mind, ready to listen and to study with the other provinces the problems of Canada as submitted to us for consideration. That willingness to study problems must not be understood as involving a willingness to sacrifice provincial rights or autonomy. In my view a scrupulous respect for provincial rights is essential to Canadian unity and Canadian progress. Any encroachment on the rights of the provinces must operate as a weakening influence to confederation.

[Mr. Pattullo.]



I cannot refrain from referring to the implication that the conclusions of the Sirois report provide a financial benefit to Quebec, and that that was a reason for an assumed favourableness on our part to the report. My financial advisers have reported to me in quite a different sense. The financial provisions in the report involve serious financial sacrifice for Quebec, and it would be wrong to allow that definite impression to remain uncorrected.

Having said that, I must add that Quebec is and always has been willing to bear its share of the common responsibilities. I had hoped that a method of spreading the burden evenly might have been worked out. Quebec would have benefited, as would all the provinces from the contacts established through conference among representatives of all the provinces in Canada. The more we meet and know each other, the better we will understand each other's problems, and the better we will be able to work together for the greatness of our country of Canada. We believe that this conference was called in that spirit. For our part we thank the members of the Rowell-Sirois commission for their generous contribution, and the Prime Minister of Canada for having called the conference to discuss these matters.

And now, if I may be permitted, I think I would be better understood if I were to speak in French. Therefore I shall state our attitude with a word in French.

(Texte)

Nous sommes venus ici à cette conférence pour étudier les problèmes du Canada, convaincus que nous pourrions ainsi renforcer le lien de l'unité canadienne. Pour ma part j'en suis encore plus convaincu après avoir entendu depuis le commencement de cette séance l'exposé des divers problèmes qui nous ont été signalés.

Je crois que l'on propose de faire le procès de la vie canadienne, d'éclairer la situation du Canada. Si l'unité canadienne devait être menacée par la continuation de cette conférence, monsieur le premier ministre, je demanderais qu'on y mît fin. Je crois que les discussions pourraient avoir lieu ici entre bons Canadiens n'ayant en vue que la grandeur de leur pays. Je suis persuadé que les délibérations devraient se poursuivre sur un ton civil bien propre à favoriser l'harmonie et, par conséquent, l'intérêt général. Si nous ne sommes pas venus ici dans ce but, notre réunion n'a pas sa raison d'être. Si on nous convainc, par ailleurs, qu'il y a des problèmes dont la solution est nécessaire à la vie canadienne de n'importe quelle partie du pays, nous en sommes.

#### STATEMENT BY HON. MR. MacMILLAN

Hon. Mr. MacMILLAN: Mr. Prime Minister, there is not much I care to add to what I said yesterday. As the premier of Quebec has said, we from Nova Scotia are indeed pleased to be here to confer with representatives of all the other provinces and exchange ideas on the Sirois report and other matters. I believe it is a good thing for us to get together occasionally so that we may be of assistance to one another in carrying on government in this difficult time.

With respect to the report I repeat what I said yesterday, that with some features of the proposed financial set-up I am not in agreement. However I, and my ministers who have accompanied me here, are quite willing to discuss every phase of the report with all those who are present here to-day. We came to this conference for one purpose, and that was to discuss the report. I do not wish to go home and say to our people "We did not discuss the report. We just talked around the fringe of it, and we were afraid to tackle the situation." That is what will be said of us.

As I said before, I do not know the attitude of all the people in Nova Scotia towards the report. I would judge that they are both for and against it. I am not in a position to say definitely to-day just what their attitude is. Indeed I am sure it would be difficult for any premier around this table to say what public opinion in his province actually is. But I do say this—and I feel it keenly—that we have come a long distance to discuss the report. We knew before we left home the purpose for which we came here and I say that we should discuss it fully and completely before we separate. It is indeed difficult to understand the proposal of the three provinces which are not in favour of discussing the report to leave the conference if we proceed to discuss its financial features. I cannot understand that attitude, because we have come here from widely separated provinces to confer with one another. I do not want to go back home and say that the premier of British Columbia refused to discuss with me or with my colleagues any part of this report. It is not going to hurt us to discuss it; it is not going to hurt Alberta or British Columbia or Ontario to sit down around the table and talk about this report and see whether at least on certain phases of it we cannot come to an agreement and meet each other's ideas. However, if our friends wish to take that attitude it cannot be helped.

I was very much interested in listening to my good friend of long standing, Hon. Mr. McQuesten, delivering his—I must almost call it a budget speech. I could deliver a budget speech here myself. I could tell you of the financial situation of Nova Scotia. I am not ashamed of it; there is none better in Canada to-day, and I would be glad to discuss it and to discuss the effects which the adoption or rejection of the Sirois report might have.

As I said before, I am not in a position to say to-day that we would accept the principles of the proposed financial set-up in the report, but I am willing, as I think everyone here should be willing, to sit down with the other delegates and discuss together the report. I believe we should do that. It is what my people expect of me, and I am sure it is what the majority of the people all over Canada expect all of us to do.

Right Hon. MACKENZIE KING: Gentlemen, I am sure we are all very sorry to know that Mr. McNair, who was with us yesterday, has fallen a victim to this general flu that is going about, and is unable to be present with us to-day. We all hope that he will soon recover.

Mr. Pirie is from his province and has kindly consented to act in his absence. I would ask Mr. Pirie to speak.

#### STATEMENT BY HON. MR. PIRIE

Hon. F. W. PIRIE (Minister of Lands and Mines, New Brunswick): Mr. Prime Minister and gentlemen, I do not think I can add anything to what has already been said by my friend from Nova Scotia. I regret very much that the Hon. Mr. McNair is not able to be in his place at this conference to-day.

We came here from New Brunswick for one purpose, to sit with delegates from the other provinces in conference and in the different committees to discuss the Sirois report. Being here for that purpose, we regret very much that something should develop whereby we shall not have the privilege of sitting in conference and discussing the different angles of the report. I know that the people of New Brunswick feel that way. There may be many points in the report on which we cannot agree. Nevertheless, that does not stop us from sitting in and expressing our views. We would be very happy to do that, and I would hate to have to go back to New Brunswick and say that we did not get that privilege.

[Mr. MacMillan.]



## STATEMENT BY HON. MR. BRACKEN

Hon. Mr. BRACKEN: Mr. Prime Minister and gentlemen, I am very glad of this opportunity to do one thing, and that is to express on behalf of the Manitoba delegation, and I believe also on behalf of a good many others in this room to-day our thanks to the Minister of Finance (Mr. Ilsley) for the very frank and full, even though brief statement that he has given us with regard to the financial situation facing the dominion government in this year of war 1941. That is the kind of information that I thought we were coming down here to get at this conference, both from the Minister of Finance and any other minister, and from the ministers of the provinces, so that the whole situation would be laid before us, and then in the light of all the facts, each of us, and particularly the dominion government, could decide what attitude to take.

We came to a conference. We did not come here to fight with other provinces or to order anyone else around, but to get the facts from all quarters so that in the light of the situation as revealed to us we would be in a position to decide what should be done or not done.

Mr. Prime Minister, may I mention three or four things that struck me very forcibly as I listened to the Minister of Finance. He told us that the dominion government's war expenditure this year would equal the total peacetime expenditure of all governments of Canada—dominion, provincial and municipal. A new obligation now falls upon the Canadian people of one thousand million dollars in one year, on top of the ordinary governmental expenditures. And how much will it be next year, and the year after? And what effect is that going to have on the ability of the provinces to carry on? He told you that that obligation would take between forty-five and fifty per cent of the national income, or as large a proportion of the national income as it took Britain to run the last war, and nearly as large a proportion as it is said to take of her income to run even this war. And what will it be next year, and in the following years?

I want to thank him, too, for the manner in which he dealt with some of the misunderstandings in regard to the report, particularly the suggested windfall profits to certain bond speculators. As I said this morning in the committee I say again now, that so far as it is within the power of the Manitoba government, no speculator will make anything out of these bonds that may have been purchased at low prices.

The minister went on to outline the reasons why in his judgment it was necessary to adopt Plan No. I or some alternative plan. What have we got here to-day? Fault being found with the only constructive plan put before us, and what alternative proposals made? Nothing but the status quo.

Then the minister very frankly did what I think we all wanted him to do. He told us what the dominion government would be faced with in the way of meeting the tremendous obligations that fall upon us in times like these, the measures they would be forced to take, and I am sure that nobody here regarded his observations as a threat, but rather as a simple statement of obvious fact.

What did he say? He said that the dominion government would have to invade the provincial tax field—succession duties, a field the dominion is not in now, and increase the income tax. Of course, they now have the corporation tax. They would have to invade those fields, and also get out of giving us the help they are now giving on unemployment relief. He added that they might not be able to help some of the provinces in any refunding they may have to do. I should like to say just one thing to the representatives of the provinces sitting around this table to-day: What does that last simple statement of fact mean to us? The minister told us frankly that they are coming to the point where they would have to take our revenues, and give us nothing back. The report

that is before us suggested that we should give up certain revenues, but it did not say that nothing would be given back to us. It proposed to relieve us of the relief load, remove our load of debt and give us an adjustment grant.

I ask the provinces sitting around this table: Are we going to sit here after hearing Mr. Ilsley's report, stating what we all know—that the dominion will have to take over a large part of our revenues—and then just go home without accepting or even giving consideration to the question of receiving something back in the way of help towards unemployment relief, relief from debt obligations, and an adjustment grant?

I have just one observation to make with respect to the remarks of the provincial treasurer of the province of Ontario, Mr. McQuesten. He dealt with the effect of the proposed changes on the budget of the province of Ontario. I submit, Mr. Chairman, that that is the very kind of thing that sitting around a table in a committee room would give us an opportunity to hear. If this kind of thing is going to do more damage to Canada than good let us all know it and let us throw it out; but I should not have to go home now without hearing the effect on the Ontario budget or on the Manitoba budget or on the Prince Edward Island budget or every other budget including the federal budget. As everybody knows, I came down here generally favouring this report. I did so before and I do now, and I expect to continue doing so. I did not come down here with my mind so made up that if it is shown to be wholly bad we would not even say, "Now, we have all these facts, we will put it aside, it is not wise." But why are we going home now without hearing any of these things? So, I would like to hear in that committee a further statement of the effect on the Ontario budget and a more full analysis than Mr. McQuesten has given us, and I would like delegations from all provinces to hear the story of our budget and what we have tried to do. We have put on heavier taxation than any other province in Canada and accepted a lower standard of social and educational service than most of them in order that we might try to carry on honourably in the association of Canadian provinces and meet our obligations. We ask that that situation be looked at to determine whether it is wise, in the interest of the future of confederation, that certain provinces should have to put on a much higher percentage of taxation than others and be content with a lower average standard of services than others, or whether that could not be fixed up so that even in the poorer provinces of Canada we can feel ourselves Canadians, not better than anybody else, not the poor relations of Canada, but just Canadians getting an average standard of service.

Now, Mr. Chairman, I have nothing more to say. I should like some time before this conference closes to have something said about the finances of some of the western provinces just as Mr. McQuesten has said something about the finances of the province of Ontario. The provincial treasurers are here. I do not know whether this is the proper time to say this or not, but I am very disappointed that any delegation should feel that they would have to leave this conference. I still think they could stay. This province understands and probably the public understands that they are strongly opposed to the acceptance in principle, I gather, of any part of this report. Well, that being understood, why cannot we get in together and hear the full story? In any case, as far as Manitoba is concerned, as long as any of the other provinces are prepared to stay here, or whether they stay or not, we are prepared to sit in and hear the fullest discussion on any of the subjects mentioned in this report or on any other subject. Don't let us get the idea that there is just one principle in this report, the principle involving changes in constitution. Of course, the major part of it is in Plans Nos. I or II. But there are half a dozen or a dozen other recommendations that we could very well sit down together and consider; and I should like to think, Mr. Prime Minister, that if there

[Mr. Bracken.]



should be any further consideration we could have the provinces of Ontario, British Columbia and Alberta sitting in with us, and let it be understood that they are having nothing to do with the principle of the report, if that is the way they prefer it.

Right Hon. W. L. MACKENZIE KING: Mr. Campbell?

#### STATEMENT BY HON. MR. CAMPBELL

Hon. Mr. CAMPBELL (Premier of Prince Edward Island): Mr. Prime Minister, I entirely concur in the remarks just made by the premier of the province of Manitoba. I am not going to attempt to make either a budget speech or an election speech at this time. Before coming to this afternoon's session, I was convinced that it was a great mistake, if not folly, for the delegates of the nine provinces of Canada to return to their provinces without so much as discussing the terms of the report whose recommendations they came here for the specific purpose of discussing. After listening this afternoon to the brief but masterly address of the honourable Minister of Finance for Canada, it seems to me that it is not only folly but an approach to political crime for the members of these provincial delegations to return without such a discussion.

I was somewhat surprised at the conflicting, contradictory attitude of the Ontario delegation, because the premier announced that he and his delegation could not take further part in this conference and could not take part in a committee to discuss the financial arrangements recommended by the commission. He reserved, however, the right for one of his ministers to answer the remarks of the Hon. Mr. Ilsley, and strangely enough when the Hon. Mr. McQuesten rose to deliver his very concise and well-reasoned address he confined his remarks in my opinion not to making any reference at all to the statement set forth by the Hon. Mr. Ilsley but to a discussion on the effect of the recommendations of Plan I on the budgetary position of the province of Ontario, the very thing, Mr. Prime Minister, which was the right and proper function of the committee which it was the intention of this conference to establish. Now, I still think that the committee should, particularly in view of the points which Mr. McQuesten has raised, be set up and established, if for nothing else than to consider the very point raised in connection with the province of Ontario; because the main objection of the province of Ontario to the adoption of Plan I appears to be that it would impose undue hardship, undue economies and undue loss of revenue on that great province.

If that charge is made by the representatives of that province, if that is their main reason for opposing the recommendations of the commission then I submit it is a part of the function of the Finance Committee to discuss the merits of that argument. If it is found that Mr. McQuesten's contention is correct I am sure that the representatives of all the other provinces of the dominion will be only too glad to seek an amended suggestion or recommendation whereby the revenues, the social services, the governmental administration of the province of Ontario may be properly safeguarded if the report were adopted.

Another objection to the adoption of the report is however suggested by the premier of Ontario and supported by the premier of Alberta and I believe not so strongly, if at all, by the premier of British Columbia. The objection is that the adoption of this report, particularly with regard to the taking over of provincial debts by the dominion, would involve speculative profits or windfalls for the money barons. I should think the remarks of the honourable Minister of Finance very effectively disposed of that argument. Indeed yesterday when the argument was first advanced it seemed to me rather astounding that the premiers of Manitoba and Saskatchewan in their advocacy of the principle of this report should be classed among the advocates of the

interests of the money barons (applause), while the great province of Ontario should be one of the few champions of the rights of the poor farmer and other poor citizens of the country.

Hon. Mr. HEPBURN: I think we are.

Hon. Mr. CAMPBELL: I am glad to know it. I should be very much surprised to find that the province of Prince Edward Island was regarded as the champion of speculative windfalls for the benefit of money barons. I am sure that if the people of Prince Edward Island thought that their representatives were advocating or even lending tentative support to a policy of that kind they would be greatly surprised. But as I have said, I believe that the remarks of the Honourable the Minister of Finance very effectively deal with that argument. If the premier of Ontario really thinks that no effective governmental machinery can be found by the dominion government to control the dangers to which he refers then he is not as good a financial administrator as I think he is. He says that not \$100,000,000 but \$200,000,000 would be the amount of the profit. If that is correct then I think that Mr. Isley's showing is all the better for the dominion government. If they can get a profit of \$200,000,000 on this transaction who is going to complain?

Hon. Mr. HEPBURN: Why not issue \$200,000,000 of new currency and leave them out of the picture?

Hon. Mr. CAMPBELL: I do not think that is a comparative argument at all. I believe I can show, Mr. Prime Minister, that the proposed transfer of the provincial debts to the dominion not only would not create speculative windfalls to which certain of the premiers have alluded, it would actually prevent the arising of such windfalls. Let us suppose that action is not taken. Let us suppose that provincial debts are left with the provinces and that certain money barons buy them for speculative purposes. Let us say the money barons buy the bonds of certain provinces who are afraid of these money barons at shall we say sixty. Suppose they are kept until maturity, when presumably if those provinces have respect for their contractual rights they will be paid, and if those provinces are so financially autonomous as they claim to be then at maturity the bonds will be paid at par and the money barons who have bought them at sixty will reap a harvest of a forty per cent spread. Now, on which foot is the argument about the speculative windfall of these money barons? (Applause.)

Speaking about money and money barons reminds me of the implication that the tentative supporters of this recommendation or some such plan are the advocates of the money barons, the tools of the money barons. Well, due to certain—perhaps uncontrollable—factors in the money market, at certain periods, not within the authority of the present government, a considerable number of the bonds of the province of Prince Edward Island were issued bearing a rate of interest in excess of six per cent. If I am not mistaken those bonds are principally held in the province of Ontario. We in Prince Edward Island have a respect for our contractual obligations and year after year we have paid  $6\frac{1}{2}$  or  $6\frac{1}{4}$  per cent or whatever it may be to the bondholders in the province of Ontario or in other provinces. We have not any money barons at home to pay it to (laughter) so we have to pay it to some other provinces. In order to protect the bondholders in some of the other provinces of Canada and in order to protect our bondholders we imposed heavy taxation on our people to provide a three or four per cent sinking fund to cover those bonds. I do not think all the provinces of Canada do that but it is just a factor of our canniness in finance, a factor intended to protect those with whom we do business and to ensure the carrying out of our financial obligations. There is the picture. We borrow this money in the wealthy provinces of Canada. In order to ensure repayment we impose heavy taxation.

[Mr. Campbell.]



The premier of Manitoba has said they have the heaviest taxation in Canada. Well, if they have the heaviest we have the heaviest but one. We impose those heavy rates of taxation on our own people. We provide a three or four per cent sinking fund, as the case may be. We have regard to payment of our financial obligations.

Now, on the other side, where do we get that sinking fund? From the taxes that we impose on our people. In what form do we invest it? Well, in dominion and provincial bonds. And as I was about to say, having great faith and confidence in the large natural resources and the initiative of the people of certain provinces of Canada, we invested a certain amount of our sinking funds in the bonds of those provinces. A few years later we found that, although we had to pay in some instances over six per cent to the bondholders in the wealthy provinces of Canada, at least one of the provinces in whose bonds we had invested our sinking funds told us peremptorily that in cases where they had undertaken to pay six per cent interest they were going to pay only three per cent interest, and in cases where they had undertaken to pay four per cent interest they would pay only two per cent. So we are in the position of receiving on our sinking fund investments, interest at the rate of two or three per cent, while paying out interest at rates up to more than six per cent on borrowings from the more wealthy provinces. Thus Prince Edward Island is squeezed, on the one hand, between the wealthy provinces who insist or at least expect that we carry out our financial obligations, and on the other hand we have at least one province which does not have for its financial obligations the same respect that it is demanded we shall have for ours.

I feel sure that what I have said about Prince Edward Island in this regard is to some extent true of one or both of our maritime neighbours. This situation is an example of one of the inequities of the present system.

There has been a lot of talk about provincial autonomy. But, Mr. Prime Minister, there is such a thing surely as dominion autonomy, and I submit that if the provinces are going to be so insistent upon their rights of provincial autonomy, they should not be allowed to invade the field of dominion autonomy. I think there is really a great deal of loose talk—

Hon. Mr. HEPBURN: Hear, hear.

Hon. Mr. CAMPBELL: —about money methods which might be devised for financing the war effort. It is quite conceivable that ultimately some reform in money methods may be necessary. But that cannot be carried out by the provinces. The dominion alone has the power to do that. And any attempt by the provinces to do it can only result in the setting up of divisions of trade and commerce, and things like that, as between the provinces.

I have taken up a good deal more time than I intended to, Mr. Prime Minister. But it does appear to me that in view of the very serious condition revealed by the statement made by the Minister of Finance, and of the problems which this condition creates, not only for the dominion but for the provinces, we should not hesitate to discuss the whole matter in the fullest detail. My great fear is that if we fail to do so, if we fail to take any action at the present time and if, as is altogether probable, the dominion government is reluctantly forced to take several of or all the courses of action outlined by the Minister of Finance, then the provinces, instead of being able to discuss this matter freely and voluntarily, as at this time, will be compelled to come back and discuss them unwillingly and under compulsion.

#### STATEMENT BY HON. MR. PATTERSON

Hon. Mr. PATTERSON: Mr. Prime Minister, may I first join with Mr. Bracken and Mr. Campbell in expressing our thanks to Hon. Mr. Ilesley for his very informative address this afternoon. I think all of us had some appre-

ciation of the difficulties and problems involved in the financing of Canada's governmental activities and war effort, but the information he gave us probably extended our appreciation of those difficulties and problems.

Naturally I regret the developments that have taken place, which would indicate at least that the probabilities are that the recommendations of this royal commission may not be considered and discussed at this time. As I indicated yesterday, we in the province of Saskatchewan regarded the appointment of this commission as very timely. We felt, as I said yesterday, without any reflection on the work done by the Fathers of Confederation, that after a period of three-quarters of a century there had arisen changes of such a nature that it was almost self-evident that improvements in the division of federal and provincial jurisdictions could be made, improvements which would make for the more effective and efficient functioning of our governments in Canada.

As to the commission which was appointed—and I may say that no resident of Saskatchewan was a member of it—we regarded them as men of ability, men of vision, men who were unbiased in their viewpoints. We give them credit for having done a tremendous amount of work, and for having prepared a report which they in all sincerity and conscientiously believed would make for a better condition in Canada and for improved dominion-provincial relations.

The report is a complete study of conditions in all parts of Canada. In its work the commission received briefs, recommendations and suggestions from one end of Canada to the other, from the provincial governments and many bodies of one kind and another, and after a very thorough study the commission made its recommendations, which you, sir, invited us here to discuss.

I would suggest that the conference might bear in mind that these recommendations are not binding; they are not unchangeable. But they do, in my opinion, form a very useful basis upon which might be commenced a discussion that would benefit all parts of Canada.

It has been suggested that it would perhaps be unpatriotic to discuss changes in the constitution during the war. I think we might accept it, sir, that all parts of Canada, and all the representatives of the provincial governments, are equally concerned with the successful and complete prosecution of Canada's war effort. I think, sir, we might very well make no further reference to that, but take it as agreed that in this respect we are on an equal footing, no matter what may be the financial position or the economic situation in our respective provinces. And, sir, when the Minister of Finance for Canada, the man who is responsible for financing Canada's war effort, suggests that some changes in dominion-provincial relations would assist him and the government of Canada in that war effort, then I submit that that minister's statement is one to which we should give very careful consideration, and that we should not carelessly disregard a word of advice from such an authoritative source.

The question of national unity also has been raised, Mr. Prime Minister. Frankly, I resent being described as a wrecker of confederation. Mr. Prime Minister, I take second place to no one in this room either in my regard for my native land or in my regard for the institutions of government in this dominion; and I can stand here and say conscientiously—and I believe the same applies to everyone who sits at this table or elsewhere in the chamber—that we are here to try to improve confederation if some reasonable and workable method can be arrived at.

We have come here to discuss our problems. That should not affect our unity nor should it affect our war effort. If anything in the way of a solution of the difficulties and defects which have existed and which do exist can be done to improve conditions or to remove the problems that face us, then it should be done. As I indicated yesterday, whatever we can do should be done to put our country in a better position to meet the great problem and to discharge the task that lies before us at this time.

[Mr. Patterson.]



Yesterday I did not take up any considerable time in dealing with the particular problem of the province of Saskatchewan, and I do not propose to do so to-day. Some years ago the Bank of Canada made an investigation into the situation in that province and submitted a complete report. I should like to quote one paragraph from the report because it will explain in as few words as possible the fundamental problem that faces us in that province. I quote from that report of the Bank of Canada:

To an unique extent, the economic history of Saskatchewan is that of wheat. No other governmental unit in the world attempting to maintain a modern civilization and standard of living is so completely dependent on the production and marketing of one commodity—a commodity which under even normal conditions is subject to wide variations in production and price. On the average, about 85 per cent of the value of all net production in Saskatchewan is supplied by the agricultural industry, and about 80 per cent of the cash income of that industry is derived from wheat.

Most of the discussion that has taken place with regard to the recommendations of the commission have had reference to the financial plan, and, like the other provinces, Saskatchewan is very keenly interested in the financial recommendations. But there are other matters in the report which are of interest, and of very special interest, to us in that province. That section of the report making provision for the transfer of jurisdiction from the federal authority to the province or from the province to the federal authority, or some arrangement whereby jurisdiction and responsibility may be divided between the provinces and the dominion, is of considerable interest to us from the standpoint of the production of our wheat and the marketing of it.

I do not propose to go into details. It is a highly important question with us.

There is also—and I referred to this briefly yesterday—the question of transportation, because, as I explained, until recently we have been entirely dependent on railway transportation and have not had the advantages of water competition. We have a rather difficult municipal situation in our province by reason of the tremendous relief burden which we have had to bear in recent years. Eighty-five per cent of our production is supplied by agriculture and eighty per cent of our income comes from the growing of wheat, so that you can appreciate what we have gone through during the ten years of crop failure, coupled with the low prices we have received for our wheat.

So far as our provincial debt is concerned, it is very largely on account of the relief burden of the last ten years that this has been the problem that it is—not, as is frequently suggested, because of extravagance or the lack of careful administration, but because we had to face a condition that imposed a most serious and difficult problem for the province to deal with, the most serious of any province in the dominion.

As I said at the outset, Mr. Prime Minister, I regret the developments that have taken place, and I should be reluctant to leave this capital city at this time if this conference could not go further. I believe that the conference can accomplish much without adopting the Sirois report either in whole or in part. I do believe that it would be definitely a failure if the conference disbanded at the present time without having taken any action whatsoever.

Right Hon. MACKENZIE KING: I suppose Mr. Ilsley will have the right to reply, but before he does so I would remind the conference that there are not only the premiers of the different provinces but also my colleagues in the government forming a part of the conference, and I would suggest that if any of them wish to say a word it would be appropriate to do so before Mr. Ilsley replies. Everyone present will recognize that I myself am in the chair, doing the best I can to avoid getting into controversy with anyone, and perhaps in the circumstances what there may be of debate might best be conducted by members of the government present if they care to say anything at this time.

## DISCUSSION CONTINUED—RT. HON. MR. LAPOINTE

Right Hon. ERNEST LAPOINTE: Mr. Prime Minister, I have but one word to say. I think it would be inappropriate and, so far as I can judge, futile for me to discuss the Rowell-Sirois report either on its merits or on its demerits. I believe, however, I have a duty to perform and that is to pay a tribute to the Canadians who have prepared that report, who have been working for the past two years upon it, who have given the utmost care and painstaking industry to arrive at the conclusions which they have reached; and I think I may say that, whatever may happen to their report, it will remain as a monument to Canadian patriotism and Canadian foresight.

The report may be discarded to-day. It will not be killed, because you cannot kill ideas. Ideas have the peculiarity of growing up and developing and spreading, and some day, if there is any value in them, they are accepted.

I am sure that this conference will have this benefit at least, that it will draw the attention of the people of Canada to this work, and I believe that the people of all sections of the country are going to study the report and express their views upon it after having read it, which many have not done at this time before expressing their opinions.

I do not hesitate to say, Mr. Prime Minister, that there is not a piece of work that has met with such unfairness, such injustice and so many misrepresentations as this report. Unfairness, why? My good friend the premier of Ontario referred to-day, as I think he did yesterday, to the possibility of a racial issue springing up through the adoption of this report. What did he mean? I read the Ontario newspapers, and this morning I read a statement in a Toronto newspaper to the effect that this commission report was a Quebec report, prepared by and for Quebec, for the benefit of that province. That article urged the people of Ontario to oppose it. My friends who are here know that at the same time in the province of Quebec this report is considered by some as leading to the destruction of provincial autonomy and the sacred rights of the citizens of that province. It has been stated that the French-Canadian race will be enslaved if this report is adopted and accepted. I have in my office heaps of resolutions and petitions which have been addressed to me, I am sure by people who are honest but who do not know what they are talking or writing about. They have not read the report, but they are saying what I have just repeated, that this report is a piece of machinery organized for the purpose of destroying Quebec.

Both statements cannot be true. It has been said that there is propaganda in connection with this report. Yes, there is. It is double-barrelled propaganda, one for Ontario consumption and the other for Quebec. I am used to that sort of thing, but surely at this time when Canadian unity is so necessary we should not be witnessing the spectacle of people resorting to that sort of nefarious warfare. The propaganda in Ontario and Quebec is diametrically opposed, so it cannot be true in one case or the other.

The framers of the report—I am not going to discuss its merits—have tried to do a Canadian job. They have not tried to destroy the autonomy of any province or to endanger the rights of any section of the country. They did their best.

Let me say that I am more responsible than anyone else for the selection of Doctor Sirois as chairman of the commission, and I should like my words to reach him on his sick bed at this time. I want him to know that his fellow-countrymen throughout the whole of Canada will never think of him as being the bad Canadian that some of those who have criticized the report have represented him and his colleagues to be.

Before resuming my seat I want to venture the prediction that in the not too distant future the people of Canada will be willing to consider again this

[Mr. Mackenzie King.]



work which has been done and to attempt to reach conclusions on the report, without necessarily accepting all of its recommendations. They will be ready at least to discuss and study them and attempt to reach definite conclusions.

# DISCUSSION CONTINUED—HON. MR. CRERAR

Hon. Mr. CRERAR: I doubt if there is much that I can contribute further to the discussion. I agree wholeheartedly with the comments of the Minister of Justice upon the Rowell-Sirois commission. When this commission was appointed it was acclaimed throughout the country. It held exhaustive inquiries throughout Canada and there was no interest, no section of the country, no province that might be affected by the findings of the commission which was not given the fullest opportunity to appear before the commission to state its case. The members of the commission prepared their report in accordance with the terms of reference. I think it is a matter of actual fact that since the report was presented and has been studied, it has received practically universal commendation in Canada, and even beyond its borders, for the thoroughness with which the commission did their job. This does not mean that everyone agrees with their findings, but the exhaustiveness of their inquiry and the thoroughness with which the job was done has been commended everywhere. I agree wholly with the observation made by Mr. Lapointe that the report of this commission will live in Canadian history as one of the great state documents of our country.

I should like to say a word or two about what led up to the appointment of the commission. Our country was brought into being as a nation in 1867. We often refer to the Fathers of Confederation, who are justly held in the highest veneration throughout Canada. They occupy a high and honoured place in Canadian history. Why? Because at a time when this country was torn by confusion, doubt, uncertainty and fear for the future, they gathered together and submerged their personal differences and many of the opinions which they held, and approached the problem before them with open minds—and solved it.

It was impossible for them to foresee the changes that were bound to take place as Canada developed. When the Fathers of Confederation met in Quebec, it took the delegates from Nova Scotia and Ontario days, and I believe in one or two cases weeks, to reach the place of meeting. To-day it can be done in a few hours. They could not foresee the coming needs of transportation to open up a vast country. They could not foresee that Canada would one day be engaged in a great war as we are to-day for the preservation of home and liberty. They could not foresee these things, but in the light of the knowledge which they possessed and of the needs of the day and the hour they did a magnificent piece of work. We have passed on down through the years and experienced the strains of development. I think I am within the judgment of everyone within sound of my voice when I say that the strains and stresses to which our confederation was subjected—that idea of confederation within which is our whole principle of nationhood—were never greater than in the period from 1930 to 1940.

The commission was appointed largely at the request of many of the provinces, who said that a reexamination was needed of the whole basis upon which our national development has taken place. Does anybody for a moment imagine that the prosperity and employment arising from the fact that we are at war precludes the possibility of a return to those conditions?

Notwithstanding the criticism which has been made of his remarks this afternoon, the Minister of Finance made a straightforward and able presentation of the facts which are right before us. One never solves a problem by running away from it. I am convinced that the effectiveness of our war effort—and I have had some opportunity to study it at close range—will be increased if in some degree at least the recommendations of the commission are approved.

But I confess I look beyond that. May I suggest this: As everyone knows, Canada is to-day geared to a war economy. Our whole effort is being directed largely to that purpose. The relief which has come in unemployment is largely if not altogether due to that fact. At some date in the future—and I would hope that it may not be far distant—we shall face the time when the war will be over and when the whole basis of our present prosperity will be washed away. What then? What the country will face after the war is over, so far as our external trade is concerned, no one can say. But I will make this prediction: If the period between 1930 and 1940 exposed our confederation to stresses and strains it had never before experienced, what it will have to meet in days to come will be far greater. As an ordinary business proposition, is it not the sensible thing to recognize that fact and to sit down and see if by any means we can fortify and strengthen our position to meet that condition when it arises—*as certainly it will arise.*

The suggestions in the commission's report in large part have to do with that point. What harm can come from sitting down and examining the whole situation? Let us hear what are the financial problems of the provinces, and let us examine our federal financial problems. Let us sit down together as partners and brothers in a confederation, as brothers in a spirit of national unity, and see if by taking counsel with each other we cannot strengthen here and there the structure of our economic wellbeing. That is all that is involved in this whole thing.

I do believe that if this conference breaks up without an effort to do that thing, there will be great disappointment throughout the whole of Canada. If we do so break up, then in my humble judgment we shall have fallen short of our responsibility and the needs of the country.

What I have said does not mean that if a matter is discussed in committee, the report must be adopted in toto. No one has ever suggested that. But it does mean that we get an opportunity at least to examine and discuss—an opportunity to throw out those recommendations which may be of no value or upon which we cannot agree. Let us adopt those upon which we can agree, and to the extent to which we are able to do that we shall be marching forward along the road upon which the Fathers of Confederation placed us when they prepared our constitution.

Right Hon. MACKENZIE KING: I do not intend to call upon all members of the cabinet, but they may speak as they see fit.

#### DISCUSSION CONTINUED—HON. MR. MACKENZIE

Hon. IAN MACKENZIE: Mr. Prime Minister and gentlemen, I wish to speak very briefly indeed, and to deal partly with the question of procedure, and partly with questions of fact.

I have been profoundly disappointed at the attitude taken in this conference by the three dissenters, and especially disappointed if I may say so—despite a personal friendship—with the stand taken by the premier of my own province of British Columbia (Mr. Pattullo).

I wish to speak of this report from two angles; one the great national Canadian angle, which is the angle of all of us. Then, just for a second or two, I should like to go west beyond the Rockies, and speak as a British Columbian, as a native of my own province of British Columbia. If a personal reference may be pardoned, I believe I have some little right to speak about British Columbia, having served ten years in its provincial legislature and for a brief period of that time as a minister of the Crown in that province.

Here this afternoon I have no hesitation in saying that it is my considered opinion that while the report as prepared by these eminent commissioners may occasion temporary material loss to that province farthest west, it will operate

[Mr. Crerar.]



to its ultimate benefit and ultimate gain. If my friends and colleagues, all of whom are my personal friends, can prove me wrong, then I say to them: Come into the committees we were prepared to establish as a result of this plenary session, and if I can be proved to be wrong I shall be the first to admit it.

But, Mr. Prime Minister, I do not want the records of this plenary session to be completed without my having had this opportunity of stating my conviction that a very great number, perhaps even a majority, of the people of British Columbia are substantially in favour of the implementation of this report.

The question of procedure is one of principle. Can there be any objection to going into committee? True this is not a parliamentary session, but I can remember when sitting over there in opposition a bill to set up the Bank of Canada was introduced in this chamber by the Hon. E. N. Rhodes, then Minister of Finance, since appointed to the senate. Those of us then in opposition objected most bitterly to the principle of that measure when it was introduced, but while we reserved all our rights in opposition to the principle of the measure we allowed it to go to a committee for discussion. When it came back from committee for third reading we again opposed it.

Have not these three hon. gentlemen who dissent and their colleagues in their respective governments every opportunity preserved to them, after discussion in the various committees, to come back here and in the final plenary session of the conference voice their objections, if indeed they still persist in them, to the principle of the recommendations contained in the report?

I wish to repeat what has already been said by representatives from some of the provinces. There are many features of these recommendations in addition to the financial arrangements outlined in Plan I which are of profound importance and profound significance to the Canadian nation. If unfortunately this conference should adjourn with the close of the present plenary session, not only will financial readjustments have been wrecked for the time being, but other valuable constitutional and economic reforms that might have been proposed will also have been wrecked together with the major plan.

I therefore say, sir, as my friend the Minister of Justice has said and as my friend the Minister of Mines and Resources has said, that even should this conference end to-day, the day will come after this gigantic conflict when we shall face the perilous times of reconstruction and when stringent financial necessities will compel a new feeling in Canada to the effect that the recommendations of this report are indispensable to our progress as a nation. Progress has been thwarted to-day, but this nation will march on through cooperation, through reorganization, with unified will and unified purpose. Canada's progress and future destiny cannot be ruined by the failure of any conference.

#### DISCUSSION CONTINUED—HON. MR. GARDINER

HON. MR. GARDINER: Mr. Chairman, in view of the fact that the four premiers who come from west of the Great Lakes have expressed the viewpoint of western Canada, both for and against the report, I do not know that I should have risen to speak at all but for the fact that it was suggested that I be chairman of one of the committees, and as two of those who were to have been committee chairmen have already spoken I think I should express the point of view of one of the federal ministers coming from west of the Great Lakes.

It has been suggested on many occasions since confederation that there are five natural divisions in the Dominion of Canada. I think that was true at the time of confederation, and it was true over a considerable part of the

period that has elapsed since. But in the light of experience, and in the light of the fact that the many differences which existed among our people in the different sections of Canada at the time of confederation have been removed, and in the light of the further fact that Canada is united from one end to the other by great systems of transportation by land, water and air, the situation in Canada to-day is quite different from what it was then.

I am not one who subscribes to the theory that there are five different economic areas in Canada. I think we had five at the time of confederation, one being the maritimes, one probably Quebec, and Ontario perhaps one, although I have always had some doubt about that and whether Ontario and Quebec were not one economically from the beginning. Then we had that great lone area west of the lakes to the Rocky mountains in which at the time of confederation there was little if any settlement. And there was the area west of the Rocky mountains.

But since confederation that section which separated the extreme west from the east has been crossed by systems of transportation and has been filled by population. There is a dividing line economically somewhere between the Great Lakes and the Rocky mountains. I believe that at the present time, whatever the future may have in store for us, that natural dividing line runs up about through the centre of the province of Saskatchewan. In other words we are living on the divide, in matters of trade, between two natural outlets for the products of the central west.

That being the case, I believe there is a situation existing in Canada at this time which requires discussion and further enlightenment. I believe, too, that the two provinces that will benefit most by a discussion of that kind at the moment, so far as western Canada is concerned, are Alberta and British Columbia.

My reason for making that statement is that the great province from which I come is an agricultural province and I believe will always remain predominantly agricultural. I do not think the predominance of agriculture in Saskatchewan will be overcome by industrial development, at least in our lifetime. But I have not the same view with regard to Alberta and British Columbia. I believe there is no section of Canada that has a brighter industrial future than that section which has its beginnings in the foothills of Alberta and extends to the all-year-open ports of the Pacific; and because I believe that, I think there is no better time to discuss the problems associated with the building up of the industrial section of the west than the present. There has been no time when there was greater need than now for extending industry in every possible direction for the proper prosecution of this war. By the way, the war has been largely responsible for that development coming at this time. Therefore I think that the two premiers from the west are making a mistake in suggesting that they are not prepared at this time to sit down and make the Sirois report the basis on which to discuss our problems.

I am ready to agree that all the wisdom of Canada is not bound up in the Sirois report. But I do say that if one reads the report from beginning to end—I have not yet had time to read all the thirty-five volumes which contain the evidence—but if one reads the report from beginning to end one will have a great deal more knowledge than before he started and will therefore be in a much better position to form opinions and to decide what ought to be done in relation to the findings of the report.

When I started to read Book II which is supposed to contain the substance and essence of the commission's recommendations, I found it very difficult to read the first twenty or twenty-five pages without finding myself answering nearly everything said, but before I got through I found that all these points were pretty well answered in the findings. I believe that most of the findings are fairly sound. What we were reading in the earlier parts was largely

[Mr. Gardiner.]



evidence. Then one view was weighed against another, and finally a conclusion was reached, and in such conclusions there was at least something worth preserving even if we did not preserve them all.

There has been some criticism of those who sat on the commission. I had the privilege of knowing only two of those who sat on the commission before they were selected, and only one who is still a member. While some of them were college professors, and some associated with big business, and one nothing more than a newspaper editor—and sometimes I have as little respect for them as anyone in Canada—nevertheless I think they all had the capacity to hear and sift evidence, and after they had heard all the evidence to arrive at conclusions based upon it that were fairly sound. I do not think we would be doing any harm if we turned the report over to the farmers who are gathered here, the business men who are gathered here, men in the professions, the constitutional lawyers and the representatives of the press, to give it further study and seek to improve upon it. And after all, that is what we are being asked to do. The report, I hope, would be a better report after we get through with it; and with the opinions of the three men who, with their supporters, have threatened to withdraw from the conference it would be an even better report than if we were to depart from this gathering without giving the report further discussion.

It was never intended that the findings of this commission should go into effect as the findings of the commission. It has always been intended that they should be further discussed and further considered, and if the time is not opportune to give the report final consideration, it is not going to injure the report or hurt the chances of any province in Canada to give more consideration to it at the present time.

I do not know that I should have risen at all, even as a chairman of one of the committees or as a member of this conference, had it not been for one further fact. It has been said here over and over again that war time is not the proper time to discuss a report of this kind; that we should not be giving consideration to it at this time, and that we could employ ourselves much better. When that was said a picture came to my mind which would not have been there had it not been for the fact that I have recently been in Britain, and the reason it came to my mind was that I had the opportunity while I was in Britain of sitting in the House of Commons, listening in the gallery to what was going on in the chamber. And what I would like to say to you is this, that even when bombs could be heard exploding outside of the chamber and the siren sounding the alarm that planes were coming or sounding the "all clear" after the raid was over, the House of Commons went on performing its functions just as it did in peace time and in the same place. And on that particular occasion the matters discussed were not all of war. The house took time, as in times of peace, to permit the Prime Minister of Britain to walk down to the door and escort his son, who had just been elected to the house, and to introduce him in the usual way before taking his seat.

They also took time to introduce into the house that day a bill which, I think, has since become or is in the process of becoming law—a bill to provide a system of insurance to take care of the interests of all subjects whose property is destroyed in the war, so that they might come out of the war with proper organization and in a position to carry on.

They took time, too, to go through the order paper, any member being at liberty to rise and ask any question he liked about anything whatsoever, and those members asked questions about the same kind of things they would have asked about in times of peace.

From one end of Britain to the other I found her people carrying on as usual. I found them holding public meetings here and there. I found them discussing what the government was doing, and I found them criticizing the

government. In other words, they were carrying on, in every particular, very much as they had in peace time in relation to questions that were being discussed from time to time.

What I want to say is this. I think that the features of this report which are important from the point of view of the people of Canada can be discussed and that something can be added to their importance and to the advantages which they may bring to Canada. Whether we agree with them now or not, something can be gained by sitting down and discussing this report under conditions of war, adding to the findings of the commission which were made, it is true, in time of peace, the benefit of our experiences gained in time of war.

I would suggest to my friends from the west, without making any suggestions to those from the east, that I think we would be best serving the future economic development of western Canada, whether we agree on the ideas of discussion or not, if we were to remain here and allow these proposals to go to committee. If we cannot agree on the most important sections of this report, surely we can agree on those things which are of great importance, say, to agriculture—the suggestion, for instance, in the report that there should be some delegation of authority from provinces to the dominion and from the dominion to the provinces in order better to administer some of the problems which are before us during war-time and which will continue to be before us in peace-time. If we did nothing more than that, time would be well spent remaining here for another few days to discuss some of these problems in committee, and after we had discussed them in committee, whatever recommendations were thought advisable could be made to this conference. I thank you, Mr. Chairman.

#### STATEMENT BY HON. MR. McLARTY

HON MR. McLARTY: Mr. Chairman, it was not my intention to speak on this matter, especially at this time, but I was designated chairman of the Labour and Employment Committee and I feel that, perhaps, there is one phase of this report that has been overlooked. We have concentrated our whole attention upon the financial angle, but there are other things in the report which are not financial but which are of vital interest to the labouring people of this country.

The report suggests that the dominion be in receipt of power to enact a broad dominion minimum wage law, a maximum hours of labour law, and the age at which young people could enter into employment.

It provides also that we should consider, although this is optional with each individual province, an extension of the Industrial Disputes Investigation Act covering the provinces.

It provides also that annual conferences should be held between the dominion and the provincial departments of labour.

One did not have to be a pessimist to think that we might not reach agreement on all points, but it is decidedly disappointing, Mr. Prime Minister, if we are not to be given even an opportunity to consider them. We might not agree on them, true. It usually does take time to agree on broad social measures such as these, but surely we are going to do no violence to the people of this country at least if we give these matters consideration. It would, I think, sir, be a tremendous mistake if an opportunity were not afforded for the consideration of these measures which labour has approved of, and which are very desirable.

I am not suggesting the basis on which we should proceed. I take it that if we eliminate the question of finance the Finance Committee would not be able to consider the obligation involved in taking over the employable unemployed.

It is true that it has been pointed out here: "Well, the bargain is against the provinces to-day. If the dominion assumes the responsibility of looking [Mr. Gardiner.]



after employable unemployed and leaves the unemployables to the provinces, the dominion is taking the minor share of the burden." That is true to-day. We all know that. Why? Because of the vast expenditure that has been made necessary by reason of the war. I wonder if that condition will apply in the after-war period. I wonder whether, when demobilization comes, the provinces will suggest that the dominion is taking the small bite and leaving to the provinces the big one. They might or might not. The point I make is worthy of discussion. We have to face a post-war condition and discussion of it now cannot help but give a conference such as is gathered here to-day a measure of protection.

The shock that will come to our social and economic system will be a very definite and a very direct one. The Minister of Finance has already indicated that. It seems to me that if this conference should adjourn without at least giving consideration to these problems, even though we may not come to a unanimous agreement, we are scarcely doing our duty to the Canadian people.

#### STATEMENT BY MR. MACKINNON

Hon. Mr. MACKINNON: I should like to say just a word or two, Mr. Prime Minister. We have heard yesterday and to-day a great deal about the attitude of Alberta towards the Sirois report. In my opinion, and I wish to speak carefully and conservatively, the rank and file of the people of Alberta are wholly behind our considering this report at this time. I believe that at least sixty per cent—and again I speak very conservatively—are in favour of the main findings of the Sirois report. If we were not at this time in the midst of this war I should like to challenge my friend the premier of Alberta, who is near me here, to appeal on this question to the people of Alberta.

Right Hon. MACKENZIE KING: Is there any other member of the government who would like to speak at this time?

#### STATEMENT BY MR. ILSLEY

Hon. Mr. ILSLEY: Mr. Prime Minister, it is very kind of you to give me the opportunity to reply but I do not think there is anything I can add to the remarks that I made at the beginning of the afternoon. I feel very strongly about this matter, perhaps too strongly to make an effective reply. Everyone here has a right, of course, to his own opinion. This is a conference, and the conference will have to take its course without any further urging from me.

There is one matter I want to mention for the purpose, shall I say, of keeping the record straight. Mr. McQuesten made what has been called a reply to my statement, but the reply consisted of his placing on the record a large number of figures, which, as I understood them, set out what the budgetary position of the province of Ontario would be if the report were adopted, and what the budgetary position would be without its adoption. I should not like to have it said at any time that no one took any exception to his figures. Although they were presented at a full plenary session of the conference, the figures were evidently designed for presentation to a committee and to be discussed at a committee meeting.

I followed Mr. McQuesten very carefully, and in the course of his discussion he said that the treasury officials of Ontario were present and would be very glad to attend at any time and place if they were required to explain these figures.

At the conclusion of his remarks Mr. McQuesten said that he was authorized on behalf of the premier and the people of the province of Ontario to announce that their association with this so-called convention was over. I presume, then, that their position in the conference since that moment has been that of observers.

I just want to say that no opportunity has been given this afternoon for considering, analyzing or verifying the figures Mr. McQuesten presented or considering the basis upon which those budgetary statements were made, assuming the adoption of the report. Certain factors may have been inadvertently left out; I do not know. The point I am trying to make is this: The placing of those figures on the record should not be used as a later argument to the effect that they were presented to the conference to appear in the report and that no one took any exception to them.

#### STATEMENT BY RIGHT HON. MACKENZIE KING

Right Hon. MACKENZIE KING: Gentlemen, you will recall that the conference itself was convened as the result of an invitation which was extended by myself on behalf of the federal government to the premiers of the several provinces on the 2nd of November last. I have in my hand a copy of the communication; it was addressed in each case to the premier of the province, and it begins with the following words:

OTTAWA, November 2, 1940.

My dear PREMIER,—As you are aware, the report of the royal commission on dominion-provincial relations was presented to the government of Canada on May the 16th, 1940.

I go on to mention the reasons why it was not possible to consider the report immediately and why we felt it desirable to have a conference concerning it. I mentioned some of the difficult situations that arose in the period following that in which the commission itself was created. I say in the letter:

In the emergency the dominion made large contributions for relief purposes but could not assume full or permanent responsibility for unemployment, nor can it do so, unless measures such as those contemplated by the commission are agreed upon.

The war has intensified the problem and emphasized the urgency of its solution.

And further on I say:

We should like to avail ourselves of the earliest opportunity to place our views before the provinces, and to discuss with them the recommendations of the commission. We propose, therefore, after parliament reassembles, if circumstances permit, to seek an adjournment over the month of January, and to make the necessary arrangements at that time for a conference between the dominion and the provinces for the consideration of the recommendations of the Rowell-Sirois commission. We trust that it will be possible for you and your colleagues to make similar arrangements to enable you to attend a conference at some mutually convenient date towards the middle of that month.

There are just two points to which I wish to direct the attention of all concerned with respect to this letter. The first is that the invitation to the conference related exclusively to consideration of the report of the Rowell-Sirois commission. The other point to which I wish to direct attention in this: It did not in any way commit anyone, either the federal government or the provinces, to the acceptance of the report or the acceptance of its recommendations. All that was requested was that the premiers of the different provinces should arrange with their governments and with their legislatures to try to meet the dominion government in conference to discuss these recommendations. Those are the words that were used. At no time have I given reason to believe other than that that was our main and essential purpose.

We have set forward the views that we entertain, and did it in advance. We have given our view as to the importance of the recommendations, largely so that the premiers when they came here might know the attitude which we would take at the conference with respect to the recommendations and would be prepared to give their views in reference to our attitude as well as in reference to the recommendations of the report itself.

[Mr. Hiley.]



The invitation was sent, not by myself personally, but by myself as one member of the government, and therefore it comes from my colleagues collectively with myself.

I should like to ask the premiers if they would permit me to meet with my colleagues for a few minutes just to discuss, in view of what has taken place this afternoon, the reply which I should make to the conference with respect to attempting to prolong its proceedings at this time. I should not like it to be thought on the part of anyone present or anywhere throughout the country that personally I had sought to assume the role of dictator and to say that this conference should do this or that with reference to the matters that are before it at the moment. I think if the premiers will allow an adjournment of some five or ten minutes I can meet with my colleagues in room 16, after which I would be in a position to state the view of our government as to what it is best to do at this particular stage.

#### CLOSING REMARKS OF HON. MR. BRACKEN

Hon. Mr. BRACKEN: Mr. Prime Minister, before you go, I should like to say for one province and I think for others that you should go into that room 16 with the knowledge that some of us want to sit here and confer on these matters. In suggesting that I mean no disrespect whatever to the provinces which have been termed dissenters. Unlike some, I do not believe that in this conference there are any men who mean to be wreckers of confederation. I think we might very well leave it to history to determine whether there are any men of that kind here. But I should like to have it made clear that we from Manitoba at least want to remain here and discuss these matters, and I think that representatives of other provinces feel likewise.

#### CLOSING REMARKS OF HON. MR. HEPBURN

Hon. Mr. HEPBURN: Mr. Prime Minister, as one of the so-called dissenters, may I say to you before you retire that I used the term "wreckers of confederation," and I believe I was backed up by the argument of my good friend the Minister of Justice (Mr. Lapointe). Throughout sections of Canada charges are being levelled that this is a nice bribe for the province of Quebec. These charges are appearing freely and with good effect in certain papers in the province of Ontario, and prominent citizens are asking, for example, "Do you in Ontario want to take over the \$100,000,000 debt of the city of Montreal?" I say that is inflaming public opinion, and if, conversely, in Quebec there is an argument being advanced that the rest of Canada is attempting to gain at their expense, is trying to rob them of their birthright, then I say that at a time like this, when we are in the midst of a tremendous war, the outcome of which no one at the moment can forecast, to inflame public opinion in this way is moving in the direction of wrecking confederation.

I quote from my good friends, Mr. Crerar, Mr. Gardiner, and Mr. McLarty, who have said that even they could not visualize the economic consequences of the war. And no one else can. For that reason I say that this is not the time to arrive at any degree of finality with respect to our economic problems.

I just want to summarize the whole situation in a few words, by saying that this Sirois report was conceived as a peace-time measure. What has happened to it in the interval? You have dressed it up with the garments of patriotism and cloaked it with the exigencies of war as well, and have said to those of us who represent the provinces, "We want you to accept the findings of this report as a war measure in perpetuity." Now there is where we disagree. We say that we will help you in every conceivable manner so far as prosecuting this war is concerned, but we are not going to sell out our respective provinces, and generations yet to come, under the exigencies of war.

That, in short, is our position, and that is the position to which we are going to adhere. If you can meet us on that basis of discussing our problems, without any degree of finality in so far as our constitution is concerned, we are prepared to sit here to-morrow and next day, and next week, although I do not think that is going to help in the prosecution of the war. I see sitting around here, Mr. Prime Minister, a number of your ministers. All this time the war is going on, and I believe that their duties require them to be in their offices.

We do not want to prolong this discussion. If it comes to the point where we have to make a decision of finality as regards our constitution, to give up rights, I say that I am not going to sell out the province of Ontario at this time. But I want it to be clearly understood that we are ready to cooperate with you in every respect in the prosecution of the war.

My friend Mr. Ilsley said he was going to invade our sphere of inheritance taxation. So be it, if that has to be. We have the machinery, and if he wants to utilize that machinery we will put it at his disposal, just as we have had the dominion income tax machinery placed at our disposal for the collection of our provincial income tax.

I repeat that we are willing to cooperate, but do not come to us with a club and, under the exigencies of war, try to place us in such a position that we could not retrace our steps. I am just as patriotic as anyone in this chamber, and I am ready to cooperate wholeheartedly in the prosecution of the war. I am not a dissenter, except in the respect to which I have alluded.

#### CLOSING REMARKS OF HON. MR. PATTULLO

Hon. Mr. PATTULLO: Mr. Prime Minister, you desire, I am sure, as you always have, to protect the rights of minorities. There are three provinces—Ontario and two western provinces—in a minority here. Now, if we can get down to a basis of discussion on questions as outlined by your Minister of Labour (Mr. McLarty) a discussion having nothing whatever to do with this Sirois report, why not let us do so?

As to my hon. friend the Minister of Pensions and National Health (Mr. Mackenzie), with his tall and handsome figure, and his arm as long as George Brown's, I am just wondering what his attitude would be if he were here in my place instead of sitting where he is. We object to this report, entirely on principle.

My friend the Minister of Finance for British Columbia (Mr. Hart), in cooperation with other very able men, made a most careful analysis of the commission's report and came to certain conclusions. Fundamentally, the report is wrong. Its implementation would irretrievably place us under a handicap in perpetuity, and to this we object.

If you want to protect the rights of the various provinces, why not arrange an agenda for the discussion of these questions in which we are all interested? But do not insist that we discuss this Sirois commission's report. I agree with you, sir, that you made the call to us on a certain basis. We had nothing to do with that call, and I do not hesitate to say that I regret that you based it on the war. In the agenda which we found had been arranged, the first committee to be set up was the Finance committee, and that has reference solely to the implementation of the Sirois commission's report.

I repeat that if you want this conference to continue, why not let us discuss questions of mutual interest? Leave the discussion wide open, and do not insist upon a consideration of the Sirois commission's report at this time. Let us discuss matters as outlined by your Minister of Labour.

[Mr. Hepburn.]



Right Hon. MACKENZIE KING: Then, shall we adjourn? We shall try not to be very long.

At 5.50 p.m. the conference took recess.

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The conference resumed at 6.00 p.m.

Right Hon. MACKENZIE KING: Gentlemen, before I indicate the views of my colleagues and myself as to the further proceedings of the conference, may I, in order to make clear my understanding of the present position, state it quite simply as I see it.

We are assembled here to consider the report of the commission on dominion-provincial relations, and the discussions that have taken place up to the moment have had reference to that report. From the speeches that were made by the several premiers I gathered that three at least are opposed to continuing any discussion so long as the report is to be the basis thereof. There are three of the premiers who are quite outspoken in their support of the report, in the same general way in which the federal government has expressed its approval and commendation of the report. Three of the premiers indicated in their addresses that they were not in a position to speak emphatically one way or the other but preferred to form their judgment after there had been an opportunity of listening to the discussion and participating in the proceedings which they believed would be held in committee.

I do not think it is surprising that at our first day's meeting different points of view should have been expressed in regard to the report. Let me say again clearly that if we had been seeking to impose our views upon the premiers the situation might have been quite different from what it is; we desire rather to compose views and to see whether, by discussion, we cannot reconcile differences that may exist.

As I stated at the beginning, it is one thing not to force a solution, but it is quite another thing not to try every possible means to find one. I think we have tried our utmost to find a solution on the basis of what the report proposes. That is the only real basis we have upon which to discuss the matters before us in the absence of any alternative proposal which would offer a better solution than that suggested in the report. I believe I made it clear that if anyone had a proposal to make which would afford a better solution than that put forward in the report we should be the first to wish to accept it.

Having said that, may I call attention to what the commissioners themselves have expressed in their report as to what they found as a result of conference among themselves. It throws much light on the present situation. In the second volume of the report, at page 269, the following passage appears:

The conclusions which the commission has reached are, therefore, not sudden inspirations but the result of careful deliberation. The commissioners consider it both remarkable and significant that, on questions on which the most divergent views are widely and tenaciously held both by public men and by private citizens, they should have arrived at complete agreement. This agreement is not the result of compromise or of give and take but reflects a sincere unanimity of judgment on the great issues which confront the nation. Its significance is enhanced by the fact that the four commissioners are men from different regions of Canada, men who differ widely in background and in training, as well as in general outlook; and it is also significant that the conclusions which they have reached are far from being the views which any one of them held at the outset of the inquiry.

Frankly, I for one had hoped that, no matter how divergent our views might have been at the outset, we might have found it possible as a result of conference to reach at least a measure of that complete agreement at which the commissioners themselves arrived after a careful study of the question.

May I say this next. When my colleagues and I considered the calling of this conference there was between us a great diversity of view as to the wisdom of having such a gathering at this time. In saying that I do not think I am betraying any cabinet secret which I am sworn to respect. I for one took the view that it was very doubtful whether it would be wise to have a conference in war time. I must say that the Minister of Finance, in the situation which he presented to the cabinet, convinced me that it would be a much greater responsibility on the shoulders of the federal administration if, knowing what we knew and having before us the information which he has disclosed this afternoon, we did not invite the provinces into conference with us to see whether, with that knowledge before the provinces as it was before ourselves, we might not find some means of avoiding the stresses and strains which we fear the extra burdens of war are likely to place upon the relations between the provincial governments and the dominion.

Mention has been made of our surrounding the conference with a cloak of patriotism in order to stress the war necessity. I am not going to try to outdo anyone in the use of graphic language, but I would ask you instead to look again at what I said in my introductory remarks with respect to the reasons which compelled us to bring the provinces and the dominion into conference in this time of war.

We felt that if there were a solution of difficulties which have been creating friction between the provinces and the dominion, and causing strains and stresses in the structure of confederation itself, the sooner the means to remedy that situation were found the better it would be for all. If the step was a good one in itself, then certainly it was obviously desirable that in a time of war, when unavoidable emphasis is being placed on all that is difficult, we should seek as early as possible to relieve such a situation.

As I said in my introductory remarks, we took a great responsibility in bringing this conference together; but we should have taken an infinitely greater responsibility had we not done so. You gentlemen are all interested in public affairs, to a degree to which perhaps no others in our country are. You know very well what would have been said later on if, after the Minister of Finance had found it necessary to introduce measures which would necessarily cut into the revenues of the provinces and create embarrassments between us as a consequence, we had said nothing to you in advance about the situation which we were facing. We should have been told at once: "Why did you not call us into conference? You had the means of helping to meet the situation. You appointed a royal commission for the very purpose of trying to prevent difficulties of the kind arising. Your commission has made its report and that report has been placed before your parliament and copies have been before us. Yet you never called us together to give us a chance to so much as express an opinion upon that report."

That is what would have been said, and no one knows that better than do the members of this conference. While among ourselves we did feel at the outset that there were views pro and con the question of calling a conference at the moment, and on many features of the report itself, the more we studied the question, the more we discussed it and the more we reflected upon it and upon all that was involved, the more by degrees we became convinced that the right thing to do was to bring the conference together at the earliest moment it could be arranged with the several provinces. May I say that at the end we were unanimous in that view, although we were decidedly of a different point of view at the outset. I have mentioned the views of the commissioners as expressed on the point of their differences and of their gradually coming together. I mention now the position of my own colleagues and myself because out of it all I hope we shall realize, as I believe, that whether we proceed at this time with the conference or not,

[Mr. Mackenzie King.]



the time may come when every province not only will be ready to meet the dominion in conference in connection with this report, but will be eager to do so. I do believe that had it been possible to have had all the provinces in conference with ourselves for a few days we would have reached some real measure of agreement on the matters before us.

However, let me present the situation as it affects ourselves in view of the position taken by three of the provinces. If we seek to go on with this conference, and three of the provinces are absent, such action would be construed, not only in our own country, but abroad, as evidence of some lack of national unity, and of some cleavage which had opened up between the provinces and the dominion. I do not believe that any of us either believes that to be true, or wishes it to be thought to be true in any part of the world, the world situation being what it is to-day.

I want to say that I believe that each premier who has spoken has presented the point of view which he feels it is essential to present on behalf of his own province, having the responsibility which lies upon him to give expression to the views of his government. I say that quite frankly. But I do say that for us to attempt in the absence of three of the premiers to continue the conference would leave the way open to the false impression I have just mentioned.

May I say this further: It is perhaps natural that as a federal government we should have come to view the report of the commission with the degree of unanimity which we do and recognize its importance particularly as a basis for discussion because of our being the federal government, a government which of necessity in all its affairs is dealing with all the provinces. We have here a sort of special position to judge of any situation as it affects Canada as a whole, not because we are on Parliament Hill, but because under the constitution all matters with which we have to deal are matters which affect all provinces. You gentlemen who come from individual provinces are assigned certain obligations and powers with respect to matters which affect in the main your own provinces. But as I said the other day, I believe firmly that it will be found that whatever is harmful to one province will be found sooner or latter to be injurious to all. We are all members one of the other. Holding that view very strongly I believe it would have been helpful, in the interests particularly of the provinces themselves, for them to have been able to get in greater detail than it has been possible to give thus far, the whole position in connection with dominion finance as we have to face it to-day.

May I emphasize the point I have just made, because it helps, I think, to explain why in a first meeting of a conference to discuss the report it is natural that each premier should present what might be called a strictly provincial point of view. Frankly, I was hoping, my colleagues I know were hoping, and I believe the public of Canada generally hoped, that we might have taken the larger view, namely, the view of what is most in the interests of our entire dominion.

By accident, rather than by intention, we are meeting together at this time in the House of Commons. This chamber was selected for the sake of convenience, rather than for any other purpose. This House represents not one province, but all the provinces; it represents all of Canada. I believe it is a symbol of the purpose that should underlie all conferences between the dominion and the provinces. It is a symbol of the desire that whatever is discussed should be discussed from the point of view of gentlemen meeting as citizens of one country, having first and foremost at heart the interests of their country as a whole.

I do not wish these remarks to be misconstrued. I do not want them to be taken as meaning that I think because someone differs from me, or takes a provincial point of view, he has not the interests of his country at heart. We

have a premier representing a province by the Pacific; we have a premier representing a province by the Atlantic; we have premiers representing prairie province and central industrial province; we have premiers representing western, central and eastern provinces; the mind of each is naturally focusing upon the needs of his particular area, and it becomes more difficult for him to get that larger perspective which of necessity, as a federal government, we all must have in considering our problems. Except where there are special relations to be considered, we here at Ottawa are dealing continuously with matters which touch not one but all the provinces.

I hope I do not need to say anything further about our not desiring to make the war a factor in this conference beyond emphasizing the effect of the additional strain which the war and its demands is certain to have upon the increasingly difficult situation with which all of us are certain to be confronted as time runs on.

I feel that from what we have discussed even thus far much has been gained. Up to the present the provinces and the country have only had before them the report of the commission and the knowledge of the attitude which the dominion of Canada has taken toward its recommendations. They now have something more, they now have in addition the points of view of the different provinces with respect both to the report and its recommendations. They now have the point of view of each province, they now know the objections of each province to the report, although not as fully as these might have been stated had the conference run on for some time. Whoever has to do with this report in the future will have not only the report itself, but the various addresses which have been made at this table as a further guide to the study of the recommendations.

As Mr. Lapointe said when he was speaking this afternoon, progress is made step by step. Each effort will help the next one. I feel that while we have not obtained perhaps all that we should have, certainly not all that we hoped for, nevertheless one step forward has been taken.

One of the arguments that has been put forward very strongly at this conference is that this is a peace-time and not a war-time document. One of the gains of the conference thus far has been the indication of the preparedness of all provinces to consider this report in peace-time. It has been declared to be a peace-time document and the discussion of it in peace-time seems to have been agreed upon according to the remarks which have been made by all thus far. There is objection to its consideration in a time of war, but there has been the recognition that when the time of reconstruction comes there should be some further consideration of the report. That is a step forward although I admit it is not one that helps to solve the present situation to the extent that one would see it solved.

There has been the further gain that some of the misconceptions with respect to the report have been completely removed.

With respect to the conference itself and the degree to which it has been successful or has fallen short of the expectations of ourselves and others, it is not for me to assess or attempt to assess either praise or blame. I hope my attitude throughout the conference and I believe that of my colleagues has been such that no one can say there has been an attempt either on their part or mine to judge any man for his utterances or for his views. We are all alike servants of the people. We are the trustees of the people, not only for our own day and generation, but for the days of others, and for generations to come. And, so far as any judgment which may be based upon our proceedings here is concerned, I believe we may well leave that to those whose servants we are in all parts of this dominion in the future, as well as the present.

[Mr. Mackenzie King.]



I wish to speak particularly of what I think has been most important of all, and that is the demonstration of unity of purpose with respect to Canada's war effort which has come out of this meeting of representatives of the provinces and of the dominion. If there has been one thing with respect to which all have been at one, certainly it has been that of the determination of all—provinces and dominion alike—to do our utmost toward the winning of the war. While we may differ as to some of the means by which that end may best be attained, I believe we have made it clear to this and to every country that what we have said all along with respect to Canada never having been more united in a great purpose and a great aim is absolutely true with respect to the position of the dominion and its provinces, as they face the grave situation with which the world is confronted to-day. That is something which will go forth from this conference, and which I believe will enhearten the people of Canada generally, and will enhearten the old world, and other parts of the world which are striving for freedom and the preservation of democracy.

I should like once again to thank each individual premier who has attended the conference for his kindness in coming here to meet and confer with my colleagues and myself. But particularly would I thank the provincial premiers for what has been said by one and all of them of the willingness of each and of their respective governments to give the federal government all the assistance they possibly can in the prosecution of the war.

My colleagues and I have been deeply concerned about the possible misunderstandings which might be occasioned by some of the measures which it may be necessary for us to take in doing our duty with respect to Canada's war effort as a whole—doing what our advisers tell us and what we ourselves believe to be essential toward the furtherance of that end. But you gentlemen, by making clear to us that you are quite prepared to support us in measures that we believe to be essential, have given vast assistance to the government. That is something for which I wish to thank you very warmly on behalf of my colleagues and myself. It will help us very materially in the war effort. If the conference had done nothing more than to afford that assurance I think it was well worth while for all of us to have come together at this time.

May I say in conclusion that the question as to whether or not we should seek to continue the conference at this time has been, I believe, answered by the purposes for which the conference was called, by the attitude already taken by some of the provinces towards the subject matter of the conference, and by what it is essential to keep in mind in connection with an important national gathering of the kind.

I stated at the outset in communicating with the premiers of the different provinces as to the plans we proposed that we were following the example of imperial conferences as they have been held in London over many years, and that we were following, too, the example of dominion-provincial conferences as they have been held in Canada in previous years.

I have said—and my colleagues are at one with me in this—that we ought to have regard to the national significance to be attached to a great gathering of this kind, and not attempt to proceed further than the wisdom of the situation demands. It would be, I believe, very unfortunate if by agreeing that the conference would proceed to-morrow, we should find when we assembled here that the representatives of three of the provinces were absent, as they have said they would be. We do not propose to permit that sort of step to be taken. We hope, however, that instead of regarding the conference as closed, that it will be viewed as one the proceedings of which have been postponed for some time.

It may be that before the war is over the provinces concerned will wish to have this conference reconvened to take up the matters they are not prepared to go into to-day. I should like to say on behalf of my colleagues and myself that if at any time the provinces ask us to meet them to discuss this report further,

we will be ready to do so. If they can come to a state of unanimity among themselves certainly we will be ready to meet them, even in a time of war. If that step is not taken while the war lasts it will be because of the fact that some of the provinces have made it clear at this conference that it is better not to attempt further discussion while the war is on, that it is better to wait for the period of reconstruction, at which time all governments—it may be some other government may be in office in the dominion and also in some if not all of the several provinces—will doubtless wish to have another conference convened.

My remarks have made clear, I hope, that we feel, considering all the circumstances, we should not attempt to proceed further with this conference at this time. Saying that, however, may I repeat what I said earlier this afternoon: My colleagues and I appreciate the fact that there are present in Ottawa to-day the premiers and many ministers from all the provinces, and that they have brought with them their advisers. Each and every member of the government will be pleased to receive and to discuss with any premier or any minister, or person he may wish to bring with him, any question which it is felt is a matter of mutual interest between himself and ourselves. That may be arranged by appointment with the minister concerned. Everything considered, we feel that is the best way to have matters taken up from now on.

Having said this much I now declare the conference closed. I would suggest however that we conclude our proceedings by singing the National Anthem.

The conference then closed with the singing of the national anthem.



## APPENDIX

**The following is the English translation of the remarks made in French by the premier of the province of Quebec.**

Hon. ADELARD GODBOUT: We have come to this conference for the purpose of studying Canada's problems. We have come with the conviction that the conference would strengthen the bonds of Canadian unity. Of this I feel even more strongly convinced after hearing the statements made at this sitting of the various problems submitted to our consideration.

The intention is, I believe, to review the life of the dominion, to throw light on Canada's situation. Should the continuation of this conference constitute a menace to Canadian unity, I would suggest, Mr. Prime Minister, that it be dissolved. It ought to be possible to carry on the discussions here as between good Canadians having in view only the welfare of their country. It seems to me that this conference should be continued in a manner conducive to harmony, and, consequently, to the good of the country. Otherwise, there is no reason for our being here. But if we are shown that there are problems the solution of which is essential to the life of any section of the dominion, we are fully willing to study them.













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